



PARISH FINANCIAL MANAGEMENT MANUAL

November 2013

FOREWORD

I am pleased to present this version of the *Parish Financial Management Manual* to the parishes and schools of the Archdiocese of Milwaukee. Since the last publication of the manual in 2009, many changes have occurred that remind us how we must always be attentive to sound fiscal practices as a part of our good stewardship. This manual is intended to present information about best fiscal practices in an archdiocesan setting to assist parishes and schools in their business responsibilities.

Use of the Parish Uniform Chart of Accounts is mandatory for all parishes and schools; however, the basic structure still allows for parishes and schools to add sub-account and department detail that meets their local needs. Parishes will find that preparation of the annual Confidential Financial Statement is significantly easier when the Chart of Accounts is followed in the parish accounting system.

Recognizing that most parishes and schools now use accounting and other software that produces financial and other management reports, all of the reports included in this version of the manual are samples. Except for the Archdiocesan Confidential Financial Statement, parishes and schools should use the report formats that are available to them which most closely conform to the reports pictured and meet the needs of the organization.

This manual continues to provide guidelines for parishes and schools on accounting, budgeting, financial reporting, financial reviews and internal controls. The manual distinguishes between those practices that are matters of policy, and those in which the parish or school has some latitude in implementation. In all cases, the goal is always consistent, accurate, and transparent financial accountability.

We are grateful for the pastors, trustees, and parish and school personnel who work diligently each day in the implementation of these policies and procedures. We sincerely hope that this manual assists them in being good stewards of the resources under their care.

With prayerful best wishes, I am,

Faithfully in Christ,

Most Reverend Jerome E ListECKi
Archbishop of Milwaukee

PARISH FINANCIAL MANAGEMENT MANUAL

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1.0 FOUNDATIONS FOR PARISH FINANCIAL MANAGEMENT

1.1 Introduction. "A parish is a certain community of Christ's faithful stably established within a particular Church, whose pastoral care, under the authority of the diocesan Bishop, is entrusted to a parish priest as its proper pastor" (1983 Revised Code of Canon Law, Canon 515). Parishes are seen as "local expressions of the diocese and of the entire Church." (Constitution of the Sacred Liturgy, footnote to para. 42.) The faithful bring many gifts to the service of the Church at the parish level. These include the financial gifts that are essential to carry out the mission of the Church today. Jesus' call to stewardship for each member of the Church is particularly strong for those involved in managing the financial resources of the Church, including the local parish. The calls to stewardship and to the ministry of administration form the foundation for financial management in the parish.

1.1.1 Throughout the history of the Church, the faithful have heard and responded to these calls, and continue to do so today. In the Archdiocese of Milwaukee, clergy and laity serve as stewards of the financial resources of 202 parishes in ten counties in southeastern Wisconsin as well as in the Archdiocesan offices, consolidated or collaborative elementary schools, and five high schools.

1.1.2 Although the Archdiocesan Department of Finance and Administrative Services continues to help individual parishes and schools on a request basis, in general, there continues to be a need for documented procedures for parish and school financial management. Responding to their calls to stewardship and administration, clergy and laity responsible for parish financial management have developed various approaches to accomplish that task. Today, parishes and schools use a chart of accounts that was last revised in 2008 and directed to be used by all parishes. Some parishes have developed their own chart of accounts, and still others operate with very little structure. Parishes have developed various budgeting systems and have their own systems for reporting the financial condition of the parish. Seldom are these systems the same for any two parishes.

1.1.3 The Church continues to face a period in which the calls for service clearly exceed the current ability of the Church to financially provide for them. This is evident in the Archdiocese of Milwaukee with an increasing number of parishes resorting to deficit budgets. Some parishes have continued on a deficit budget course, which if not corrected will lead to financial failure of the parish. The signs of the times demand even better financial management in the parishes.

1.1.4 Limited financial resources and the calls for increased programs have led many parishes to collaborate with other parishes and organizations. This collaboration, born out of necessity and at the same time serving to build the larger Church community, has a very practical dimension when considering the financial aspects of the collaborative effort, namely that of sharing and reducing costs. Parishes in the Archdiocese have often found that their financial data were

not comparable, and that the parishes were operating at different levels of accountability. They often didn't know what the real costs of particular programs really were.

1.2 Purpose of the Manual. The purpose of the Parish Financial Management Manual is to provide guidance to parish and school administrators who are charged with managing the financial affairs of the parishes and schools of the Archdiocese.

1.2.1 The scope of the Manual is limited to financial management practices and procedures. The Manual does not address organizational issues nor delineate financial responsibilities to individuals. The "Parish Trustee Manual" published by the Archdiocese provides organizational guidance, complete with detailed job descriptions and lists of responsibilities. The Parish Financial Management Manual (this Manual) addresses practices and procedures for parish and school accounting, budgeting, financial reporting, and periodic financial review.

1.2.2 This Manual is meant to serve a key role in establishing **consistent parish financial accountability** throughout the organizations in the Archdiocese of Milwaukee. Each entity shall maintain a current copy of this Manual and ensure its access for all persons charged with financial management.

1.3 Ideas of Stewardship. Jesus continuously calls people to recognize and use their gifts well in the service of the kingdom. This is the call to stewardship -- a stewardship that is grounded in faith. Faith, itself a gift, confirms our identities as stewards and establishes our relationship with God and with our parish community. The call to stewardship is made to us both as a community of believers and as individuals.

1.3.1 In the Archdiocesan Guidelines for Parish Membership, stewardship is defined as the sharing of one's time, talent, and treasure. We are called to share part of our time with others through the Church. Our talent is a grace from God, and our sharing of that talent, of whatever variety, serves to build up the parish community. Treasure varies from individual to individual and often raises difficult choices for many persons. The call to stewardship among those involved in parish financial management is that call to share their time, their talent in administration, and their treasure with the parish community.

1.3.2 Stewardship faces a number of obstacles in the hearts of some -- obstacles such as greed, selfishness, and irresponsibility. The conflict between greed and stewardship, the sharing of oneself, is evident. Selfishness leads to a choice in favor of self to the exclusion of others, and makes stewardship an impossibility. Finally, irresponsibility leads to actions or a way of life that fails to recognize and respond to the needs of others. These obstacles need to be overcome if we are to respond to the call to stewardship.

1.3.3 The central obligation of stewardship is accountability. Every servant, every trustee is accountable. Accountability is clear in the parable of the talents

and in the parable of the final judgment. Even when there is no explicit evaluation, this obligation remains. All people in the Church are accountable for their response to the Lord and for the ministries to which they are called. St. Peter provided a clear guide: "Each one, as a good manager of God's different gifts, must use for the good of others the special gift he or she has received from God" (1 Pet. 4:10). Those called to the ministry of administration are likewise accountable to the parish for their day to day performance in managing the financial and other affairs of the parish community.

1.4 Ministry of Administration. It is not uncommon to hear parish members say that a priest should not be involved with administrative matters -- that he should be more involved in his priestly ministry. They continue by indicating that the parish should hire a business manager to take care of the administrative details. There is a perceived separation between ministry and administration.

1.4.1 St. Paul offers lists of "gifts" that God has bestowed on His faithful. Most people are familiar with the spiritual gifts presented in Chapter 12 of the first letter to the Corinthians. But St. Paul also discusses gifts in Chapter 12 of the letter to the Romans. There, he says: "Our gifts differ according to the grace given us. If your gift is prophecy, then use it as your faith suggests; if administration, then use it for administration; if teaching, then use it for teaching" (Rom. 12:6-7, Jerusalem Bible). The New American Bible translation of administration is slightly different at verse 7: "It may be the gift of ministry; it should be used for service." Contrary to popular opinion, administration is not something apart from the world but is a gift from God and is ministry.

1.4.2 God's gift of administration is not distributed according to whether one is a member of the clergy or the laity. The call to stewardship requires that each person "must use for the good of others the special gift he or she has received from God." Each one, whether clergy or lay, receiving the gift of administration, must recognize it as a gift and ministry. In the Church and the parish, administration is not simply something that a business manager does, it is a ministry of the parish and must be recognized as such.

1.5 Civil Law and Canon Law. The operation and administration of a parish is governed by the provisions of the 1983 Revised Code of Canon Law, the statutes of the State of Wisconsin and the United States Government, and the administrative policies and procedures promulgated by the Archbishop. The legal structure of the Archdiocese and the parishes under Wisconsin statutes has resulted in a very decentralized arrangement with the resulting strong feelings of autonomy, independence, and parochialism. Canon law serves to maintain the unity which might otherwise be absent under the provisions of civil law.

1.5.1 All parishes in the Archdiocese of Milwaukee are incorporated under Wisconsin Statutes Sec. 187.12 as separate corporations. The Board of Directors of the parish corporation administers all temporal matters affected by civil or

canon law. The Board of Directors includes the Archbishop as President, the Vicar General of the Archdiocese as a member, the pastor/priest administrator or parish director as Vice-President, and two elected lay members of the congregation, the trustee-treasurer, and the trustee-secretary. Men and women serving as trustees are called to a ministry of administration. The specific roles of trustees, their relationship to the Pastoral Council, their spiritual formation, and other related issues are developed fully in the "Parish Trustee Manual."

1.5.2 The Code of Canon Law derives from the juridical and legislative heritage of the Old and New Testaments. The Code seeks to achieve "order in the ecclesial society, such that while attributing a primacy to love, grace and the charisms, it facilitates at the same time an orderly development in the life both of the ecclesial society and of the individual persons who belong to it." (Introduction to the Apostolic Constitution dated January 23, 1983).

1.5.2.1 Although there are 1752 canons in the revised Code, only a small percentage deal with administration of the temporal goods of the Church. There are several general provisions which provide additional background for this Parish Financial Management Manual.

1.5.2.2 Canon 1276 provides that the Archbishop shall carefully supervise the administration of the goods which belong to the parishes and schools in the Archdiocese. Further, the Archbishop is to issue special instructions in order to regulate the administration of these goods.

1.5.2.3 Canon 532 indicates that the pastor/priest administrator represents the parish in all juridic matters. He is charged with the responsibility of seeing to it that the goods of the parish are administered in accordance with canons 1281 - 1288.

1.5.2.4 Canon 537 requires that each parish have a finance council/committee to aid the pastor/priest administrator in the administration of parish goods with due regard for the prescription of Canon 532. This canon emphasizes the principle of co-responsibility and accountability that follows in the post-Vatican II Church. In the Archdiocese of Milwaukee, the Finance Council is defined by norms issued by the archbishop on May 10, 2012.

1.5.2.5 Canons 1281 to 1288 provide direction on the actual administration of ecclesiastical goods. In particular, Canon 1284 requires all administrators to fulfill their office with the diligence of a good householder. The Canon proceeds to list specific duties and responsibilities involving the management of goods, financial actions, keeping books, preparing reports, and budgeting. These responsibilities for administrators along with the responsibility of the Archbishop specified in

Canon 1276 provide the basis for the existence of this Parish Financial Management Manual.

1.5.2.6 Explicit guidance for the implementation of these requirements of Canon Law is given in the "Parish Trustee Manual." This handbook delineates the specific responsibilities of the trustees and the committee, specifies their relationship with the Pastoral Council and pastor/priest administrator or parish director, and lists relevant canons for parish administration. Additional information on the provisions of Canon Law and the role of the Parish Council is found in "Living the Spirit" published by the Archdiocese of Milwaukee Office for Parish Councils.

1.6 Structure of the Parish Financial Management Manual. The Parish Financial Management Manual is structured to permit it to be a living document and provide useful guidance to parish administrators that will help achieve the goal of consistent parish financial accountability throughout the Archdiocese of Milwaukee. Both content and organization contribute to this objective.

1.6.1 The chapters in this Manual are designed to be able to stand alone. Individual chapters can be copied as necessary for distribution to persons with different responsibilities.

1.6.1.1 Chapter 2 provides definitions and general background on accounting principles and procedures. It discusses alternative accounting methods and provides guidance on accounting for contributed services, considering depreciation, and cost/expense allocation methods.

1.6.1.2 Chapter 3 presents the Parish Uniform Chart of Accounts. This chart of accounts must be used by all parishes in the Archdiocese. The chapter develops program codes and account codes to be used together in the books of account. The chart of accounts permits a parish to maintain a simplified or a very detailed book of accounts depending on the parish preference. The use of the Parish Uniform Chart of Accounts requires that all parishes use the same account numbers when accounting for the same type of transaction thus ensuring consistency.

1.6.1.3 Chapter 4 provides guidelines for budgeting in parishes. These guidelines follow good budgeting practice as observed in many parishes and are tied to the chart of accounts and the financial reports. All parishes with a balanced budget must submit the budget for review by June 1st of the prior fiscal year. Parishes with a projected deficit must submit the budget by May 15th, to allow time for the Archbishop to approve.

1.6.1.4 Chapter 5 addresses fund and financial management guidelines. It is a very practical chapter which provides guidance on the day to day

financial practices in the parish. It addresses the broad topic of internal controls.

1.6.1.5 Chapter 6 discusses various types of financial reports to parishioners, to the parish as a whole, and to the Archdiocese. Except for the Confidential Financial Statement and the Archdiocesan Assessment reports to the Archdiocese, the other reports in the chapter are guides. They are closely tied to the chart of accounts and the budgeting forms.

1.6.1.6 Chapter 7 presents periodic financial review procedures. These are intended to encourage ongoing management review of the parish financial affairs, ranging from internal reviews to various external reviews by Archdiocesan staff. The chapter includes the description for a periodic (every one or two years) formal financial review, including an on-site visit, by a CPA firm or archdiocesan staff.

1.6.2 The structure of the Manual will facilitate its use. Each chapter can stand alone. Pages are numbered sequentially in each chapter, and each page is identified as being "original" or the latest change number reflecting the most recent information. There is a list of effective pages, indicating the latest issue of changes, and a record of changes to record when and by whom changes were entered. The chapters contain exhibits used in the development of the subject and appendices at the end of the individual chapters. The appendices typically contain various forms used in financial management. These forms can be copied and used directly at the parish level. Contact the Office of Parish and School Financial Services for files that can be downloaded to your computer.

1.7 Acknowledgments and References. The original Parish Financial Management Manual was the result of two years of continuous work by an Ad Hoc Committee of the Archdiocesan Pastoral Council and the Archdiocesan Council of Priests working with the Episcopal Delegate for Finance and Administrative Services. The material presented in earlier versions of the Manual was the result of the lived experiences of the committee members, the frequent interactions of the Episcopal Delegate with the parishes in the Archdiocese, and the counsel provided by various people and organizations. Numerous parishes provided feedback on drafts of the Parish Uniform Chart of Accounts and freely shared their budgeting and financial reporting systems. The Milwaukee office of the accounting firm Arthur Andersen & Co. provided the starting draft of the chart of accounts, as well as guidance on cost allocation and on handling cash receipts and cash disbursements. The Parish Accounting Manual of the Archdiocese of Washington provided valuable insight for the material in Chapter 5. The internal control questionnaire from the Diocese of Portland, Maine was an excellent starting point for the development of Appendix 7-A. In addition, general information was obtained from the articles, books and other publications listed in Appendix 1-A.

This version of the Parish Financial Management Manual preserves the format and content of the first edition, while reflecting changes in technology and information reporting needs since it was first written. Parishes and schools provided much input into the additions and changes in this version. As in the first edition, where specific quotations are made, the exact reference is cited. In other areas, the references simply provided a deeper understanding of various concepts that were subsequently included in the text.

Appendix 1-A. Parish Financial Management References

American Institute of Certified Public Accountants, Inc.
Statement of Position 78-10, Accounting Principles and Reporting Practices for Certain Non-Profit Organizations.

Archdiocese of Milwaukee. "Living the Spirit".
(Milwaukee: Archdiocese of Milwaukee, 1986).

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(Milwaukee: Archdiocese of Milwaukee, 2013).

Archdiocese of Washington, D.C. Parish Accounting Manual.
(Washington: Archdiocese of Washington, 1986).

Canon Law Society of Great Britain and Ireland. The Code of Canon Law.
(London: Collins, 1983.)

Coriden, James A., Green, Thomas J., and Heintschel, Donald E. (Eds.).
The Code of Canon Law. (New York: Paulist Press, 1985.)

National Conference of Catholic Bishops and United States Catholic Conference.
Accounting Principles and Reporting Practices for Churches and Church-Related Organizations. (Washington: United States Catholic Conference, 1983).

Powell, Ray M. Accounting Procedures for Institutions.
(Notre Dame: University of Notre Dame Press, 1978).

Powell, Ray M. Management Procedures for Institutions.
(Notre Dame: University of Notre Dame Press, 1979).

Powell, Ray M. Budgetary Control Procedures for Institutions.
(Notre Dame: University of Notre Dame Press, 1980).

Vinter, Robert D. and Rhea K. Kish. Budgeting for Not-For-Profit Organizations.
(New York: The Free Press, 1984).

2.0 ACCOUNTING PRINCIPLES AND PROCEDURES

2.1 Introduction. It is generally felt that the heart of fiscal management in any organization is a good accounting system. This is particularly true in a parish setting where the combined effects of good stewardship and limited resources require an understanding of how assets are used and how various needs are being met. The American Institute of Certified Public Accountants (AICPA) defines accounting as "the art of recording, classifying, and summarizing, in a significant manner and in terms of money, the financial transactions entered into by an institution, and interpreting the results thereof" (adapted by Ray M. Powell in *Accounting Procedures for Institutions*, Notre Dame: University of Notre Dame Press, 1978. p. 9).

2.2 Accounting Standards. In order to achieve the goal of consistent financial accountability, it is necessary to establish standards for accounting practices. It could be said that the standards that apply to business may not apply to institutions, and in particular, to churches and church-related organizations. There have been a number of efforts that have produced and refined the guidance as to appropriate accounting standards for religious organizations.

2.2.1 The AICPA issued its "Statement of Position 78-10, Accounting Principles and Reporting Practices for Certain Non-profit Organizations" on December 31, 1978. The purpose of SOP 78-10 is "to recommend financial accounting principles and reporting practices for nonprofit organizations not covered by existing guides that prepare financial statements in conformity with generally accepted accounting principles." Among the organizations named are "religious organizations."

2.2.2 Because SOP 78-10 covered a wide range of nonbusiness organizations for financial accounting and external reporting, it contained many provisions that did not apply to churches and church-related organizations. In 1983, the USCCB Accounting Practices Committee issued "Accounting Principles and Reporting Practices for Churches and Church-Related Organizations." This document included the relevant portions of SOP 78-10, modifying and adapting them where necessary, to provide "guidance for Catholic Church organizations in classifying and recording financial activities relating to their mission and establishing norms for reporting these activities externally to actual or potential user groups."

2.2.3 Since then, more than one hundred pronouncements defining GAAP (generally accepted accounting procedures) for not-for-profit organizations have been issued, and in 2006, the Accounting Practices Committee released an updated manual to provide additional guidance on issues unique to the Catholic Church. The accounting principles established by GAAP and further defined in the USCCB guide are described in more detail on a topical basis in the sections of this manual that follow. Other requirements and standards that apply specifically to the Archdiocese of Milwaukee are included in those sections as well.

2.3 Fiscal Year and Accounting Period. The Fiscal Year is the basic accounting period that applies to all financial recording and reporting in the Archdiocese of Milwaukee. The Fiscal Year begins on July 1 in a given year and ends on the following June 30. Individual parishes will likely use interim accounting periods for management reports. These accounting periods will normally be on a monthly interval, but smaller parishes may choose a quarterly period while some larger parishes may prefer weekly accounting. The interim accounting periods apply only to internal reporting.

2.4 Cash versus Accrual Accounting. There are two general methods of recording transactions, the cash basis method and the accrual basis method.

2.4.1 The cash basis of accounting is a method which records revenues and expenditures on the books of account at the time they are received and paid, without regard to the accounting period to which they apply. Financial reports of a parish using the cash basis of accounting are affected by the timing of receipts and disbursements. Costs attributable to activities during the reporting period will not be recorded if the cash payment is made prior to the beginning of the period or subsequent thereto. Hence, these reports can be misleading since they only reflect the actual cash payments and not the activities taking place during a given period.

2.4.2 The accrual basis of accounting is a method which records revenues and expenditures on the books of account in the period of time, such as month or year, in which the transaction takes place or occurs, without regard to the date of receipt or payment. The transactions are recorded when the activity or benefit accrues, when the goods or services are performed regardless of when the cash payment or receipt is made.

2.4.3 The accrual basis of accounting is widely accepted as providing a more appropriate record of all the transactions of a parish over a given period of time than the cash basis of accounting. Parishes and schools with external reporting requirements are required to report using the accrual method, and it is recommended that financial statements of all churches and schools represented as being in conformity with generally accepted accounting principles should be prepared using the accrual basis of accounting. Some organizations choose to maintain their books on a cash basis, and, after adjustments at the end of the period, prepare the financial statements on an accrual basis. There is no requirement that the books be kept on an accrual basis throughout the year.

2.4.4 Complex accounting procedures may be neither practical nor economical for many churches, and reporting based essentially on cash receipts and disbursements may be adequately informative. If the financial statements prepared on the cash basis are not materially different from those prepared on the accrual basis, one may conclude that the statements are presented in conformity with generally accepted accounting principles.

2.4.5 In the Archdiocese of Milwaukee, the suggested method is a blended system that is more "cash oriented." All revenues and expenditures would be reported during the year as under the cash method. However, the year-end financial report would include the recording of outstanding accounts receivable and accounts payable. Payments on debt and purchase of fixed assets would be transferred to their proper asset and liability accounts before the books are closed. Parishes that want to record and report on an accrual basis throughout the year are urged to do so. Parishes and schools that participate in the Milwaukee Parental Choice Program are required to report on an accrual basis, as are parishes and schools that are audited by independent public accounting firms.

2.5 Fund Accounting. A fund is a self-balancing accounting entity established to account for financial activities of a specified purpose or objective. The funds to be used by the parishes include the general fund and the current restricted funds or endowment funds, as applicable. Each fund includes assets, liabilities, and a fund balance.

2.5.1 The general fund is the current operating fund. This fund includes most parish assets and liabilities. For simplicity, the general fund will be used in lieu of a plant fund to account for land, buildings, equipment, and any loans obtained for parish facilities.

2.5.2 Restricted funds are any funds that have been given to the parish but are restricted by the donor. These restrictions may apply only to the purpose for which the asset is used, or may indicate how the principal and the earnings on that principal may be used. Funds may be permanently or temporarily restricted by the donor.

2.5.3 Monies that are accumulated by the parish and set aside for future use are designated funds. They are a part of the general fund balance. Unlike restricted funds, the intended use of designated funds is not binding.

2.6 Bookkeeping. Proper bookkeeping requires that the parish maintain cash receipts and disbursement journals and a general ledger following proper recording procedures. All entries in these accounts must be based on verifiable and objective evidence. In addition, the bookkeeping must be based on well-established procedures and not be affected by personal preferences.

2.6.1 The fundamental accounting method is the "double entry method of bookkeeping" initially developed in 1494 by Luca Pacioli, a Catholic friar. It is based on the following accounting equation:

ASSETS minus LIABILITIES equals NET ASSETS (or fund balance)

All financial transactions have at least two effects. Transactions are regarded as self-balancing in that all effects are accounted for and are equal.

2.6.2 Each balanced entry is recorded in a journal. Each entry in the cash receipts journal and in the cash disbursements journal includes the date, the account code, a brief description, and the amount. Two entries, one debit and one credit, are made for each transaction. Journal entries appear in chronological sequence.

2.6.3 The terms debit and credit as used in accounting serve as a directive for recording data in journals and ledger accounts under the double entry method. Debit means record on the left side of the account while credit means record on the right side of the account. In computerized systems debits are generally represented by positive amounts while credits are represented as negative amounts. The following table illustrates how debit and credit are used.

Rule of Debit and Credit

- * Assets: Debit to increase and credit to decrease**
- * Liabilities: Credit to increase and debit to decrease**
- * Revenues/Income: Credit to increase and debit to decrease**

- * Expenses: Debit to increase and credit to decrease**
- * Fund Balance: Credit to increase and debit to decrease**

2.6.4 Periodically, each balanced entry in the journal is posted to the general ledger. Accounting software posts to the journal and the ledger simultaneously. Manual systems require the user to make closing entries to update the ledger with the transaction activity that appears in the cash receipts and disbursement journals.

2.7 Accounting Categories. The elements of the accounting equation, as they relate to the parish, are defined as follows.

2.7.1 An asset is any physical property or right that is owned by the Parish and has monetary value.

2.7.2 A liability is a debt or an amount owed to some person or organization, usually payable in the form of cash. A liability is a claim of outside parties on the assets of the parish.

2.7.3 The net asset or fund balance is the residual of assets minus liabilities. In for-profit accounting, the net asset balance is called equity. The change in the net asset value depends on the revenue and expenditures during the accounting period and is generally computed as follows.

Net Asset balance at beginning of period	XXX
Add (+) revenues of current period	XXX
Deduct (-) expenditures of current period	<u>(XXX)</u>
Net Asset balance at end of period	XXX

2.7.4 Revenues include all income of the parish derived from parish collections, contributions, investment income, tuition, sale of fixed assets, etc. Revenues do not include money that will have to be repaid (e.g., a loan), or receipts that have already been recorded as revenue (e.g., the collection of accounts receivable). Revenues are usually classified by their source (the point from which they were obtained), not by their intended use.

2.7.5 An expense is the payment of cash or the incurring of a liability for services rendered to the parish or for goods received by the parish (e.g., salaries, fringe benefits, supplies, travel, utilities). Expenses do not include the payment of liabilities already recorded or the investment of cash.

2.8 Financial Statements. The basic financial statements to be prepared by a parish should include a Balance Sheet and a Statement of Activity. Parishes may include a Statement of Changes in Fund Balances if the information is not included in another financial statement, and a Statement of Changes in Financial Position. Financial Statements are discussed in detail in Chapter 6 of this Manual.

2.9 Contributed Services. The nature and extent of donated or contributed services received by churches and church-related organizations varies widely. Because it is difficult to place a monetary value on such services, their values are generally not recorded. A note in SOP 78-10 indicates that contributed services refers to services of clergy and members of religious orders when furnished at less than market cost. Donated services refers to volunteers. Here, the term contributed services refers to both. When contributed services comprise a major part of church programs, not including their value understates the true program cost. This becomes particularly important when parishes consider collaborative efforts in selected areas. In those cases, it is necessary to know the level of contributed services, even if the monetary value cannot be determined in any meaningful way. The Parish Uniform Chart of Accounts indicates that when religious are not paid a lay equivalent salary, the monetary differential should be recorded as the value of their contributed services. The Chart of Accounts does not require any other recording of contributed services, but does provide a separate account for those parishes that wish to do so. When contributed services are recognized, both a revenue and an expense are recorded.

2.10 Cost/Expense Allocation The Parish Uniform Chart of Accounts (Chapter 3)

provides a listing of parish programs or functions and various account codes associated with different categories of expenses. The accounting procedures require that the various expenses be charged against the program or function for which the expense was incurred. Some costs are easily identified with a particular program or function. For example, a teacher's salary probably relates entirely to the operation of the school. On the other hand, some costs cannot be easily identified with any one program or function. For example, a heating bill may relate to the church, school, and rectory buildings. It may be difficult to determine how much of the heating bill should be allocated to the school program.

2.10.1 The first decision that has to be made is whether or not to allocate costs. Cost allocation provides a more realistic estimate of the costs of operating each program or function. However, it does require additional administrative work, and the accuracy of the results depends on the validity of the method used to allocate the costs. The additional work in allocation should result in better information that is used in managing the parish finances. If the resulting data is not used in that management, then it's probably not worth the effort to allocate the costs.

2.10.1.1 One area where allocated costs will be useful is in planning collaborative programs with other parishes. If two parishes will operate a joint religious education program, it is important to know the total cost of the program in order that the parishes can provide the appropriate level of support.

2.10.1.2 Another area where cost allocation will be considered is in determining the actual cost of operating a parish school so that appropriate tuition levels can be determined and cost per pupil amounts can be calculated uniformly. If the school building is used for other purposes for significant periods of time on a regular basis, it may be desirable to allocate part of the cost of operating the building to those other programs or functions. Schools that participate in the Milwaukee Parental Choice Program are required to allocate shared costs to the school.

2.10.1.3 In some cases, a program cost may be known directly, such as a salary. However, other costs supporting that activity may not be so individualized, in which case it may be necessary to allocate them.

2.10.2 There may be certain categories of costs that the parish chooses to exempt from allocation. Such a decision recognizes that the reported costs would actually understate the true cost of the program or function. However, when collaboration or some other action requires a good estimate of program or function costs, these unallocated costs will have to be considered at that time.

2.10.2.1 A prime candidate for exemption is the salary and benefits provided to the parish priest(s). The priest is typically involved in many different parish programs or functions, and attempting to allocate his cost in any meaningful way would be very difficult.

2.10.2.2 Another candidate for exemption includes the parish facilities. The operation and maintenance of facilities may be considered a cost to be borne by the parish at large rather than attributed to any particular programs or functions.

2.10.3 Direct program or function costs are easily assigned to the appropriate program or function, since these are specifically identified with the particular program or function. Direct costs can be entered in the appropriate account when entries are made to the journals.

2.10.4 Indirect costs include all costs that are not direct costs. They relate to more than one program or function, as in the case of heating bills, or the cost of a Director of Religious Education who serves a number of Christian Formation programs. These indirect program or function costs are the subject for allocation.

2.10.5 There are two additional considerations regarding allocation of costs. The first involves when the costs are allocated, and the second involves how the costs are allocated. When an allocation method is chosen, indirect costs can be allocated to the appropriate program accounts when the entries are made to the journal. However, it may be easier to accumulate the costs in an unallocated cost category and then allocate the costs at the end of the accounting period. The time when the program entries are made depends on parish management. There are a number of different allocation methods that can be used. The type of allocation method will often depend on the type of indirect cost being allocated. Commonly used allocation methods are described below, but any logical method bearing some relationship to the indirect cost could be used.

2.10.5.1 The simplest way to record expenses would be to charge them to the major program being benefited. This may work well if most of the expenses are involved with that program. If not, some other allocation method may be desired.

2.10.5.2 Another method of allocating costs is using the idea of marginal cost. This is the additional expense incurred in order to conduct a particular program. For example, under this method, the additional expense of using a room in the church basement for a particular activity may be the costs of the slight amount of fuel used to heat the room and the electricity used for lights. The majority of the costs for that facility are borne by the major program being benefited.

2.10.5.3 The time spent method consists of allocating a part of an expense to a given activity in proportion to the time spent in the activity. This method is particularly useful for allocating salaries and wages. For example, the Director of Religious Education spends 15% of the time in Adult Ministry, 5% of the time in Young Adult Ministry, 20% of the time

in Youth Ministry, and 60% of the time in Child Ministry. Corresponding percentages of the salary would be charged to those program accounts.

2.10.5.4 The floor space assigned method consists of allocating an expense to a given program or activity solely in proportion to the floor space assigned. If the Director of Religious Education occupies a 400 square feet office in a 40,000 square feet school, one percent of the allocable building costs would be assigned to the religious education activity (and further allocated to the programs or functions as indicated in Section 2.10.5.3 above).

2.10.5.5 The time-floor area method consists of allocating part of an expense to a given activity in proportion to the floor area used by the activity and the length of time that floor area is used.

2.10.5.6 Total salaries and wages can be used as the base for allocating other expenses such as fringe benefits to the given programs.

2.10.5.7 The use or consumption method consists of allocating part of an expense to a given activity in proportion to the actual use or consumption of services or supplies.

2.10.5.8 Another method for allocating indirect expenses is to do so based on the proportion that the direct expenses of the given program bear to the direct expenses of all programs/activities being supported by the activity being allocated. This applies very well to administrative expenses.

2.11 Valuation of Facilities. The value of the facilities and assets must be determined in order to prepare complete financial reports. The normal method for valuation is to use the actual cost of the asset when acquired. In some cases, particularly in the instance of existing buildings, it is difficult to reconstruct those costs. When actual costs are not available, alternative valuation methods must be used. For facilities, acceptable alternative valuation methods include the estimated replacement cost of the facilities, or the appraised value of the facilities for insurance purposes.

2.12 Depreciation. The AICPA defines depreciation accounting as a means of allocating the cost or other carrying value of tangible capital assets to expense over their useful lives. While the AICPA guideline calls for inclusion of depreciation for not for profit entities effective for fiscal years beginning after May 15, 1988, the Archdiocese of Milwaukee does not require parishes to show depreciation. Depreciation is a non-cash expense, and the appearance of it on the parish financial statements may be misleading to the users of those reports. Parishes that have audited financial statements may be required to include depreciation to satisfy generally accepted accounting procedures.

3.0 PARISH UNIFORM CHART OF ACCOUNTS

3.1 Introduction. The Parish Uniform Chart of Accounts is established for use by every parish and school in the Archdiocese of Milwaukee. This Chart of Accounts provides a simple and understandable method of reporting operations of the parish. Its use will provide consistent accounting within each parish as well as among the various parishes. In addition, its use will provide for continuity in the event of a change in pastor, trustees, bookkeeper, accountant, or other persons involved in the financial administration of the parish. Most importantly, its use will enable the parish to consistently classify financial transactions, providing meaningful financial statements that can be used to review the past as well as plan for the future. This Chart of Accounts can be used with either a manual or a computerized bookkeeping system.

3.2 Scope. This Chart of Accounts can be used by parishes with smaller operations which prefer a limited number of accounts, and by larger parishes that may need more accounts for their requirements. It is designed to provide as much or as little detail as is desired by each parish or school. The key factor is that whatever level of detail is used by a parish or school, in order to maintain consistency, the account numbers used to describe those accounts must be the account numbers established in this Chart of Accounts.

3.3 Policy. The Parish Uniform Chart of Accounts was mandated for use in each parish in the Archdiocese of Milwaukee effective July 1, 1987. The level of accounting detail is determined by each parish provided that each parish with a parish school shall also maintain distinct accounting for the school using appropriate program and account codes. Collaborative schools sponsored and controlled by parishes shall also use this Chart of Accounts. Parishes and schools may expand the standard chart of accounts for their own use, but all account codes that are added locally must be rolled up into an account number that appears in the Uniform Chart of Accounts for reporting in the Confidential Financial Statement.

3.4 Reporting System. The Chart of Accounts has been set up to provide for either a cash reporting method or an accrual reporting method. However, at year-end, all reports will be required to recognize the major outstanding assets and liabilities including outstanding debts to the archdiocese.

3.4.1 The suggested method of reporting is a blended system and is a more "cash oriented" system than a true accrual system. It is felt that this provides a practical method of controlling parish financial operations and reporting to parish members throughout the year in a format that can be more easily understood.

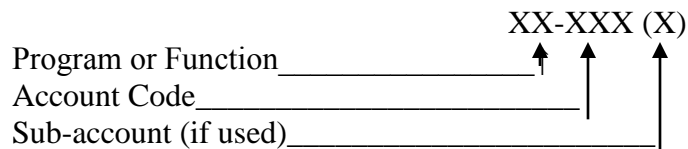
3.4.2 Under this cash oriented system, all revenues and expenditures (cash transactions) would be reported during the year as under the cash method. However, the year-end financial report would include the recording of outstanding accounts receivable, prepaids, accounts payable, and deferred revenue. Payments on debt and purchase of fixed assets that are recorded first as

expenses would be transferred to their proper asset and liability accounts at closing. The unpaid portion of teacher contracts, and the related benefits expenses are also accrued.

3.4.3 Those parishes and schools that prefer to report on the accrual method throughout the year and record the revenues earned and expenses incurred regardless of when the cash is actually received or disbursed can do so.

3.5 Chart of Account Codes Format. The Chart of Accounts makes use of a six-digit code number. The first two digits identify the specific program or function, and the last four digits identify a particular asset, liability, revenue, or expense.

3.5.1 The standard four digit numbers provided in the Chart of Accounts end in a zero. If a parish finds further refinement necessary, the final digit of the account code can be used to define a sub-account. The code format is illustrated as follows.



3.5.2 As transactions are recorded, they should be identified by PROGRAM or FUNCTION first, then by the appropriate ACCOUNT CODES. For example, tuition for the day school (School Ministry) would be credited to account 34-3110, while tuition for religious education (Child Ministry) would be credited to account 32-3110.

3.5.3 The program or function codes and the account codes constitute the Parish Uniform Chart of Accounts. The codes are explained in detail in various sections of this chapter of the Manual. All of the codes are compiled and listed in Appendix 3-A.

3.6 Program or Function Codes. The Chart of Accounts is designed to permit the reporting of operations by program or function through the use of a two-digit prefix to the account code.

3.6.1 The major categories of programs and functions included in the Chart of Accounts are listed in Appendix 3-A.

3.6.2 Programs or functions within each of the major program or function categories are listed in Appendix 3-A and defined in Appendix 3-B.

3.6.3 The programs follow the general structure of most parishes and the Archdiocesan offices, and cover the basic programs or functions maintained at the parish level. If a parish has a program not covered by one of the detailed program

codes and the parish wants to maintain a separate accounting for that program, a new detailed program or function code (prefix) may be defined. For example, if a parish maintained a temporary shelter for homeless persons, it could use prefix 56 (or any other unused prefix in the Social Ministry category) for that program. In this example, all assets, liabilities, revenues, or expenses would be recorded as 56-XXXX depending on the particular account code.

3.7 Account Codes. The Chart of Accounts includes account codes in four distinct areas: Assets, Liabilities and Net Asset Balances, Revenues, and Expenses. Within each of these areas, there are a number of categories defined, and a further definition of accounts within each category. The account codes are all four-digit codes with the fourth digit permitting a parish to define sub-accounts.

3.8 Sub-account Codes. The Chart of Accounts is flexible and provides for much greater detail if desired by simply adding sub-accounts under each account code. For example, if a parish or school would like to maintain a breakdown of the different types of supplies, it could define additional sub-accounts in the 4210 expense account as follows:

4210 Supplies, General
 4211 Art Supplies
 4212 Office Supplies
 4213 Payroll Supplies

Note that the definitions of the sub-accounts are independent of a program or function. A sub-account defining liturgy supplies is not appropriate. The appropriate way of accounting for such expenses would be in account number 11-4210.

3.9 Assets. An asset is any physical property or right that is owned by the parish or school that has monetary value. For parish accounting, only tangible assets are included. However, both current and fixed assets are included.

3.9.1 The categories of assets included in the Chart of Accounts follow.

ASSETS		
CATEGORIES		ACCOUNT
Cash		XX-1000
Receivables		XX-1100
Prepays		XX-1200
Inventories		XX-1300
Investments--General		XX-1500
Fixed Assets		XX-1700
Investments--Restricted		XX-1800

3.9.2 Accounts within each of these major categories are defined in Appendix 3-C.

3.10 Liabilities and Net Asset Balances. Liabilities include obligations and debt owed by the parish or school. Both current and long-term liabilities are included as categories. In addition, both restricted and unrestricted net asset balances are included. Obligations incurred through operations should be reflected as liabilities which are categorized by the nature of the incurred obligation and by time spans in which obligations must be retired (i.e., current year's obligations and future years' obligations). Total assets less total liabilities constitutes the net asset balances.

3.10.1 The categories of liabilities and net asset balances included in the Chart of Accounts follow.

LIABILITIES AND NET ASSETS	
CATEGORIES	ACCOUNT
Current Liabilities	XX-2000
Short-term Notes and Current Maturity	XX-2100
Deferred Revenue	XX-2400
Long-term Liabilities	XX-2700
Restricted Net Asset Balances	XX-2800
Unrestricted Net Asset Balances	XX-2900

3.10.2 Accounts within each of these major categories are defined in Appendix 3-D.

3.11 Revenues. Revenues include all sources of income to the parish or school.

3.11.1 The categories of revenues included in the Chart of Accounts follow.

REVENUES	
CATEGORIES	ACCOUNT
Contributions	XX-3000
Tuition and Program Fees	XX-3100
Contributed Services	XX-3200
Rentals	XX-3300
Other Revenues	XX-3400/3500
Fund Raising and Activity Events	XX-3600

3.11.2 Accounts within each of these major revenue categories are defined in Appendix 3-E.

3.12 Expenses. Expenses include all costs associated with operating the parish or school in the given accounting period.

3.12.1 The categories of expenses included in the Chart of Accounts follow.

EXPENSES

CATEGORIES	ACCOUNT
Salaries and Benefits Paid	XX-4000/4100
Supplies and Purchased Services Cost	XX-4200/4300
Building and Grounds Expenses	XX-4400/4500
Other Expenses	XX-4600/4700

3.12.2 Accounts within each of these major categories are defined in Appendix 3-F.

3.13 Program or Function and Account Definitions. The definitions of the program and account codes included in Appendices 3-B through 3-F provide general guidance on the types of activities included under each code. Examples are provided following the definition to assist in identifying an appropriate account.

3.13.1 Under certain account codes, various sub-accounts are suggested for the parish or school that maintains a more detailed accounting. Unlike the program and account codes which must be used when accounting is maintained at that level of detail, parishes and schools are free to define sub-account codes as desired within the existing structure. The primary purpose of sub-accounts is to assist internal financial management. All locally created sub-accounts must be mapped back to accounts that appear in the Chart of Accounts for preparation of the Confidential Financial Statement.

Appendix 3-A. Parish Uniform Chart of Accounts

PARISH UNIFORM CHART OF ACCOUNTS

PROGRAMS OR FUNCTIONS

<u>Prefix</u>	<u>Program or Function Title</u>
10-XXXX	Sacramental Life and Worship
11-XXXX	Liturgy
12-XXXX	Ecumenical Activities
13-XXXX	Charismatic Renewal
14-XXXX	Music
15-XXXX	Evangelization
20-XXXX	Christian Formation
22-XXXX	Adult Ministry
24-XXXX	Young Adult Ministry
26-XXXX	Family Ministry
28-XXXX	Youth Ministry
32-XXXX	Child Ministry - Religious Education
34-XXXX	School Ministry
36-XXXX	Athletics
38-XXXX	Home and School
39-XXXX	School Board
40-XXXX	Social Ministry
42-XXXX	Social Ministry Committees
44-XXXX	Outreach Program
46-XXXX	Elderly Ministry
48-XXXX	Meal Programs
52-XXXX	Pro Life/Respect Life
54-XXXX	Day Care Centers
60/70-XXXX	Administrative
61-XXXX	Administration
62-XXXX	Pastoral Ministry
63-XXXX	Personnel
64-XXXX	Finance Council
66-XXXX	Communications
68-XXXX	Stewardship
72-XXXX	Resource Center
75-XXXX	Parish Council

80-XXXX	Building and Grounds
90-XXXX	Other
92-XXXX	Cemeteries
95-XXXX	Pious Societies
96-XXXX	Parish-Sponsored Functions
99-XXXX	Faith in Our Future

ACCOUNT CODES

ASSETS

<u>Account Code</u>	<u>Account Title</u>
XX-1000	Cash
XX-1010	Cash in Bank - General
XX-1020	Cash in Bank - Payroll
XX-1030	Petty Cash
XX-1070	Savings Accounts
XX-1100	Receivables (Optional)
XX-1110	Accounts Receivable - Tuition and Fees
XX-1120	Provision for Doubtful Accounts
XX-1140	Accounts Receivable - Miscellaneous
XX-1160	Notes Receivable
XX-1200	Prepays (Optional)
XX-1210	Prepaid Insurance
XX-1220	Prepaid Retirement Insurance and Health Insurance
XX-1250	Utility and other Deposits
XX-1290	Prepaid Expenses - Other
XX-1300	Inventories (Optional)
XX-1310	Book Inventory
XX-1320	Cafeteria Inventory
XX-1330	Instructional Supplies Inventory
XX-1390	Other Supply Inventory
XX-1500	Investments - General
XX-1520	Short-term Investments
XX-1530	Long-term Investments
XX-1580	Investments - Real Estate
XX-1700	Fixed Assets
XX-1710	Land
XX-1720	Land Improvements
XX-1730	Buildings
XX-1750	Furniture and Fixtures
XX-1770	Equipment
XX-1780	Vehicles
XX-1790	Construction in Progress
XX-1800	Investments - Restricted Funds

XX-1820	Short-term Investments
XX-1825	Faith in Our Future Short-term Investments
XX-1830	Long-term Investments
XX-1835	Faith in Our Future Long-term Investments
XX-1850	Faith in Our Future Checking

LIABILITIES AND NET ASSETS

<u>Account Code</u>	<u>Account Title</u>
XX-2000	Current Liabilities
XX-2010	Exchange Account (Accommodation)
XX-2020	Accounts Payable
XX-2030	Federal Withholding Taxes Payable
XX-2040	FICA Taxes Payable
XX-2050	State Withholding Taxes Payable
XX-2060	Accrued Payroll
XX-2070	Accrued TSA Payable
XX-2080	Accrued Interest Payable
XX-2090	Other Current Liabilities
XX-2100	Short-term Notes and Current Maturity of Long-term Debt
XX-2110	Short-term Notes
XX-2120	Current Maturity of Long-term Debt
XX-2400	Deferred Revenue
XX-2410	Prepaid Tuition and Fees
XX-2490	Other Prepaids
XX-2700	Long-term Liabilities
XX-2710	Notes Payable - Banks
XX-2720	Mortgage Notes Payable
XX-2730	Notes Payable - Parishioners
XX-2770	Notes Payable - Other Parishes
XX-2800	Restricted Net Asset Balances
XX-2810	Scholarship Net Assets
XX-2820	Endowment Net Assets
99 -2850	Faith in Our Future Net Assets
XX-2890	Other Restricted Net Assets
XX-2900	Unrestricted Net Asset Balances

XX-2910	General Net Asset
XX-2920	Parish-Designated Net Assets

REVENUES

<u>Revenue Codes</u>	<u>Account Title</u>
XX-3000	Contributions
XX-3010	Weekly Envelopes for Parish Support
XX-3020	Offertory Collection
XX-3030	Special Restricted Parish Collections
XX-3040	Vigil Lights
XX-3050	Bequests
XX-3060	Donations
XX-3065	Faith in Our Future Restricted Contributions
XX-3070	Special Collections for Others
XX-3080	Mass Stipends and Stole Fees
XX-3090	Other
XX-3100	Tuition and Program Fees
XX-3110	Tuition
XX-3120	Registration
XX-3130	Book and Supply Fees
XX-3140	Milwaukee Parental Choice Program Fees (net)
XX-3190	Miscellaneous Tuition and Fees
XX-3200	Contributed Services
XX-3210	Contributed Services of Religious
XX-3250	Other Contributed Services
XX-3300	Rentals
XX-3310	Hall Rentals
XX-3390	Other Rentals
XX-3400/3500	Other Revenues
XX-3410	Scholarships
XX-3420	Cafeteria
XX-3430	Vending Machines
XX-3440	Bingo and Other Program Concessions
XX-3450	Government Assistance
XX-3460	Archdiocesan Assistance
XX-3470	Investment Income
XX-3475	Faith in Our Future Investment Income
XX-3480	Publications

XX-3510	Loan Receipts
XX-3520	Sale of Assets
XX-3590	Other
XX-3600	Fund Raising and Activity Events
XX-3610	Bingo
XX-3620	Festival
XX-3630	Activity Fees
XX-3690	Other Fund Raisers

EXPENSES

<u>Expense Codes</u>	<u>Account Title</u>
XX-4000/4100	Salaries and Benefits Paid
XX-4010	Salaries
XX-4020	Salaries and Benefits Contributed
XX-4030	Unemployment Benefit Premiums
XX-4040	Employer's Portion of FICA Tax
XX-4050	Employer's Portion of Hospital and Dental Insurance
XX-4060	Employer's Contribution to Pension Plan
XX-4080	Continuing Education
XX-4090	Auto Allowance
XX-4110	Housing Allowance
XX-4190	Other
XX-4200/4300	Supplies and Purchased Services Costs
XX-4210	Supplies
XX-4220	Postage
XX-4230	Books
XX-4240	Clothing and Shelter
XX-4250	Direct Assistance
XX-4260	A-V Materials
XX-4270	Food and Meals
XX-4320	Technology
XX-4340	Professional Services
XX-4350	Testing
XX-4390	Other
XX-4400/4500	Building and Grounds Expenses
XX-4410	Telephone
XX-4420	Heat
XX-4430	Electric
XX-4440	Water and Sewer

XX-4450	Maintenance of Grounds
XX-4460	Repair and Maintenance of Buildings
XX-4470	Repair and Maintenance of Furniture and Equipment
XX-4480	Building Maintenance Supplies
XX-4510	Property and Liability Insurance
XX-4520	Property Taxes
XX-4590	Other Building Expenses
XX-4600/4700	Other Expenses
XX-4610	Legal and Accounting
XX-4620	Meeting Expense
XX-4630	Mileage Reimbursement
XX-4640	Interest Expense
XX-4650	Debt Repayment
XX-4660	Scholarships
XX-4670	Publications
XX-4680	Assessments
XX-4690	Special Collections for Others
XX-4710	Bingo Concessions
XX-4720	Rental Expense
XX-4730	Dues and Subscriptions
XX-4740	Major Maintenance and Capital Expense
XX-4750	Volunteer Recognition Costs
XX-4780	Bad Debt Expense
XX-4790	Other Expense

Appendix 3-B. Parish Program or Function Code Definitions

10 SACRAMENTAL LIFE AND WORSHIP

This program category is for all activities of the parish relating to liturgy and worship. This general category is to be used when the parish does not use the following detailed program codes, or when activities are not covered by those codes.

11 Liturgy

This program includes all activities associated with liturgical functions except for music. This includes, for example, altar supplies, vestments, missalettes, and lector training.

12 Ecumenical Activities

This program includes all activities used to foster a better understanding and improved relations with congregations from other Christian denominations. For example, activities such as speaker fees, joint prayer services, and interdenominational social activities are included under this program code.

13 Charismatic Renewal

This program includes any activities used to support the charismatic renewal, including prayer meetings, speakers, and any special liturgical materials for charismatic renewal (e.g., hymnals).

14 Music

This program includes all activities associated with liturgical music provided to the parish as a whole. This includes organist and choir director expenses, copyright fees, hymnals, and musical equipment.

15 Evangelization

This program includes all activities intended to address alienated Catholics and unchurched persons. For example, home visitation programs, special mailings, and special speakers would be activities falling under this program code.

20 CHRISTIAN FORMATION

This program includes all activities outside of liturgy which foster and develop a Catholic-Christian belief among the children, youth, and adults in the parish. This general category is to be used when the parish does not use the following detailed program codes, or when activities are not covered by those codes.

22 Adult Ministry

This program includes all Christian formation activities targeted primarily to adult members of the parish (over 35 years old). This program includes such activities as program director expenses, materials, registration fees and travel expenses.

24 Young Adult Ministry

This program includes all Christian formation activities targeted primarily to young adult members of the parish (19-35 years old). This program includes such activities as program director expenses, materials, registration fees and travel expenses.

26 Family Ministry

This program includes all Christian formation activities focused on improving family relations and family life. This program includes such activities as program director expenses, materials, registration fees, speakers and travel expenses.

28 Youth Ministry

This program includes all Christian formation activities targeted primarily to youth members of the parish (13-18 years old). This program includes such activities as program director expenses, materials, registration fees, speakers, social gatherings and travel expenses. All "religious education" activities directed to youth such as Confirmation preparation are also included in this category.

32 Child Ministry - Religious Education

This program includes all Christian formation activities targeted primarily to child members of the parish (under 13 years old). This program includes such activities as program director expenses, materials, registration fees, and travel expenses. This will likely include the majority of a parish's religious education activities for the K-8 program as well as all pre-school religious education programs. Sacramental preparation (Reconciliation and Eucharist) is included here, but the actual administration of the sacraments would be included under 11 (Liturgy). When the program director and support staff also support other programs, their expenses, if not directly tied to a program, should be recorded in 20 or allocated to the separate programs and recorded there.

34 SCHOOL MINISTRY

This program includes all activities associated with the operation of the parish school.

36 ATHLETICS

This program is used for all athletic activities sponsored by the parish. This includes activities such as registration fees, equipment, uniforms, and field rental. Athletic activities that form the physical education programs in the parish school should be included under program code 34 (School Ministry). Since athletic activities can benefit more than one age group, they could be included under the several programs described

above. However, many parishes maintain an Athletic Association and use of this program code provides a means of easily accounting for the athletic program. Either approach may be used depending on the management needs of the parish.

38 HOME AND SCHOOL

This program includes all activities conducted by the Home and School Association (or similarly named parent organization associated with the parish school). These organizations usually provide a fundamental fund raising support function for the parish school. When are earned and used, it will be shown as an expenditure under this program code and as a revenue under program code 34 (School Ministry) for reports prepared for internal use. When parish consolidated reports and the Confidential Financial Statement are prepared, the revenue and expense entries that appear in this program code are eliminated so that only one revenue and one expense entry remain. Alternatively, all Home and School Association functions could be included directly under program code 34 (School Ministry).

39 SCHOOL COMMITTEE

This program includes all activities associated with the parish school committee. This would include activities such as administration, educational programs, and training. These activities could also be included directly under program code 34 (School Ministry).

40 SOCIAL MINISTRY

This program category includes all parish activities that are directed to social/societal problems and situations with the basic objective of bringing a Christian perspective and alleviation of the situation. Activities in this category are as diverse as the interests of individuals. Some of the more common categorizations are indicated in the following program codes. The general program code should be used when the parish does not use the detailed codes or the activity is not covered by one of those codes.

42 Social Ministry Committees

This program includes all activities of the various parish committees involved in social ministry functions. This includes activities such as registration fees, speakers, travel and other administrative items.

44 Outreach Program

This program includes all activities, not included in other categories, that involve serving people and agencies outside of the parish. This would include activities such as meal programs outside of the parish, support of other parishes, and support of other agencies.

46 Elderly Ministry

This program includes all activities in support of the elderly, primarily within the parish. This would include activities such as Senior Citizens' Groups, home visitation

programs, and travel assistance.

48 Meal Programs

This program includes all activities in support of parish sponsored meal programs. This program includes activities such as preparation and serving of meals, and operation of a food pantry. Any revenues or costs associated with a parish sponsored SHARE Program would be recorded here.

52 Pro Life/Respect Life

This program includes all parish activities supporting pro life positions. This would include activities such as educational programs and material assistance to pro life agencies.

54 Day Care Centers

This program includes all activities associated with the operation of a parish day care center. This would include activities such as personnel expenses, supplies and administrative expenses.

60 ADMINISTRATIVE

This program category includes all those administrative activities that are not associated with a particular program or closely related set of programs. This general category is to be used when the parish does not use the following detailed program codes, or when activities are not covered by those codes

61 Administration

This program includes all activities associated with the general administration of the parish. This would include activities such as the operation of the parish office, administrative equipment, service and maintenance of equipment, and general supplies.

62 Pastoral Ministry

This program includes all activities relating to pastoral ministers that are not able to be directly identified with other programs. For example, because the pastor/priest administrator (or other pastoral minister) is involved in nearly all of the parish programs, it may be impractical to allocate the salary, benefits and other expenses to those programs in a meaningful way.

63 Personnel

This program includes all activities relating to a parish personnel committee. This may include recruitment and evaluation of personnel as well as other routine activities of the committee.

64 Finance Council

This program includes all activities associated with the operation of the finance council. It does not include personnel involved in managing parish finances.

66 Communications

This program includes all activities involving communications with parish members, other individuals, and organizations that are not directly identified with another program. This would include activities such as the parish bulletin, parish newsletter, and general parish telephone operations.

68 Stewardship

This program includes all activities involving the management and administration of parish resources and the development of parish resources. This would include activities such as parish-wide fund raising activities, financial auditing and bookkeeping operations, and property management programs that are not identified with some other program area.

72 Resource Center

This program includes the operation and support of the parish Resource Center. This would include activities such as the operation of the parish library. The costs associated with the school library should be recorded under program code 34 .

75 Parish Council

This program includes all activities associated with the operation of the Parish Council. Parish Council committee activities would normally be covered under the appropriate program area. This program would include activities such as general supplies, administrative expenses, training, retreats, and the Parish Council Congress.

80 BUILDING AND GROUNDS

This program category includes all activities associated with the development and maintenance of buildings and grounds. The revenues and expenditures associated with these activities could be allocated to other programs, but it may be useful to identify total building and grounds operations in a single location and then allocate as necessary. This program code provides the opportunity to account for expenses such as maintenance personnel, materials and supplies, contract maintenance, and repair operations. Depending on the size of the capital plant, a parish may wish to identify additional program codes (e.g., 81, 82) to account for separate buildings, parking areas, or open areas.

90 OTHER

This program category includes any other activities that may not fall in one of the program categories described elsewhere.

92 Cemeteries

This program includes the maintenance, administration, and operation of parish owned cemeteries.

95 Pious Societies

This program includes all activities associated with the operation of pious societies. Where desired, a separate program code could be used for the different societies sponsored by the parish.

96 Parish-Sponsored Functions

This program includes any parish-sponsored functions that are not otherwise included in any defined programs. This would include activities such as a parish festival, Mother's Day brunch, and New Year's Eve dance.

99 Faith in Our Future

This program includes all activity related to contributions, earnings and expenditures of the Faith In Our Future capital campaign.

Appendix 3-C. Parish Assets Code Definitions

1000 CASH

All funds which are available for day-to-day transactions should be recorded in this category. Petty cash amounts set aside for the purpose of paying for small expenditures, checking accounts, and savings accounts are included in this category.

1010 Cash in Bank - General

All funds which are available for day-to-day transactions should be recorded in this account. Only checking accounts are included in this category. Where a bank account is set up for a restricted purpose, such as a building fund, the amount should be shown in the 1800 accounts. If several bank accounts are maintained for various purposes, further breakdowns of this account should be made, using the following subaccounts as examples.

1011 Cash in Bank - General

1012 Cash in Bank - Festival

1013 Cash in Bank - School

1020 Cash in Bank - Payroll

See above definition, only where funds are identified for payroll. A separate payroll account is not required.

1030 Petty Cash

This account provides for the amount of cash set aside for the purpose of making immediate small expenditures such as postage due, which, if paid by check, would cause delay, annoyance, and excessive expense of maintaining additional records. The fund should be established with a definite amount of cash, and expenditures should meet the same documentation requirements as expenditures from the general fund. The fund should be reimbursed periodically for the exact amount of the vouchers so as to restore it to its original sum, the vouchers being distributed to the proper expense accounts. Separate petty cash funds may be established for the bookstore, cafeteria, office, etc. and may be identified by subaccount codes. Do not deposit proceeds from the sale of supplies, tickets, etc. in this account.

1070 Savings Accounts

All interest-bearing deposits with financial institutions should be recorded in this account. This includes funds deposited in Money Market Funds.

1100 RECEIVABLES

All amounts due to the parish should be recorded in this category. This category includes pledges due to a parish, advances due from employees, amounts due from students, and all other amounts due. Both accounts receivable and notes receivable are included in this category. This account is required only for parishes accounting on the accrual basis.

1110 **Accounts Receivable - Tuition and Fees**

This is the control account for the individual receivable accounts. It should be debited with the total of charges for tuition or programs during the year and credited with cash collections, work credits, and other credits. At all times, the balance in this account is to represent the net amount due and should be compared periodically with the totals in the individual accounts.

1120 **Provision for Doubtful Accounts**

The portion of notes, loans, and accounts receivable which it is estimated will never be collected. This account may be shown as a deduction from the receivable account to which it applies.

1140 **Accounts Receivable - Miscellaneous**

All amounts due and not provided for above would be included in this account.

1160 **Notes Receivable**

This is the control account for amounts receivable which are evidenced by a note acknowledging a debt and promising payment. Further breakdowns may be made using the following subaccounts.

1161 Notes Receivable - Other Parishes

1169 Notes Receivable - Other

1200 PREPAIDS

Amounts paid in advance that will be an expense with the passage of time should be recorded as prepaids. The unexpired portion of insurance premiums, interest paid in advance, and all deposits made in advance for service to be rendered should be included in this account. Use of this account is required only for parishes accounting on an accrual basis.

1210 **Prepaid Insurance**

Consists of premiums paid in advance that will become an expense with the passage of time. The unexpired portion of the premiums at the balance sheet date represents a prepaid expense.

1220 **Prepaid Retirement Insurance and Health Insurance**

The pro-rata part of payments made on retirement and health insurance which are applicable to future accounting periods are included in this account. Premium payments made during the year should be charged to Accounts 4050 and 4060.

1250 **Utility and Other Deposits**

Includes deposits made with airline firms, municipal governments, etc., which, when the service is fully rendered, will be returned.

1290 **Prepaid Expenses - Other**

All other prepaid expenses not provided for in the above accounts would be charged

here.

1300 INVENTORIES

The cost of supplies and equipment on hand and not yet used (e.g., cafeteria items like food and beverages). The cost of such items should be charged to expense as used. Materials and supplies which are rapidly consumed in normal operations, and are of small dollar value (e.g., light bulbs, soap) should not be maintained in inventory accounts. Physical inventories should be taken and the respective inventory accounts adjusted to actual value at periodic intervals. Use of this account is required only for parishes accounting on an accrual basis. SCRIP inventory maintained by the parish or school must be recorded at cost regardless of the accounting method.

1310 Bookstore Inventory

This account represents the cost of merchandise in the bookstore at the balance sheet date, including new and used textbooks, pencils, erasers, paper, notebooks, etc. The account balance is derived by taking a physical count of the items in the store and applying cost prices. Purchases of textbooks are to be entered in Account 4230.

1320 Cafeteria Inventory

This account represents the cost of unopened, saleable merchandise in the cafeteria at the balance sheet date. The account balance is derived by taking a physical count of saleable items and by applying cost prices. Purchases of cafeteria foodstuff is to be entered in Account 4270.

1330 Instructional Supplies Inventory

This account represents the cost of teachers' and program instructional supplies on hand on the balance sheet date. Instructional supplies purchased during the year should be charged to Account 4210.

1390 Other Supply Inventory

All other inventories not provided for in the above accounts would be recorded here.

1500 INVESTMENTS - GENERAL

The market value of securities, special cash funds, and other investments are included in this category. Investment of monies received which have been restricted by a donor to be used for a specific purpose must be recorded in Account 1800 - Investments - Restricted Funds. Subdivisions of this category provide for a more specific identification of investments. Use Accounts 3472 and 3473 to adjust market valuations for unrealized gains and losses.

1520 Short-term Investments

Includes marketable securities and all other investments which are cash equivalent or can be liquidated within the current operating period.

1530 Long-term Investments

All investments which have a maturity beyond the current year.

1580 Investments - Real Estate

The cost of all land and buildings acquired which are not used for normal operations should be recorded in this category. The cost includes initial land acquisition and construction costs, as well as related fees and title insurance. Expansion or revamping costs which add to the value of the property should also be included in this account.

1700 FIXED ASSETS

The cost of all land, buildings, furniture, equipment, and vehicles owned by the parish for use in normal operations should be recorded in this account. Capital expenditures for personal or real property that costs more than \$500, and has a useful life of two years or more, would be included in these accounts. If the actual purchase costs or construction costs are not available, the existing replacement value, or the appraised value for insurance purposes may be used. See Account 4740 – Major Maintenance and Capital Expense for a further explanation of the suggested accounting process. When assets are capitalized, a fixed asset record of each item and its cost must be maintained so that items can be removed from the Balance Sheet when abandoned, sold or removed.

1710 Land

The cost of all land, including the negotiated price, broker's commissions, title fees, surveying fees, and other expenditures associated with securing title.

1720 Land Improvements

Includes streets, sewers, street lights, sidewalks, and similar improvements added to the land. This account is also to be charged for the cost of landscaping, trees, shrubs, etc.

1730 Buildings

The preferred method is to record actual construction costs, including the cost of built-ins, such as elevators and lockers in this account. If several separate buildings such as a rectory, garage and gymnasium are involved, and if separate accounts for such buildings are maintained, a separate subaccount may be used for each building. If actual construction costs are not available for existing structures, the estimated replacement value, or the appraised value for insurance purposes may be used.

1750 Furniture and Fixtures

The cost of tangible personal property which has a life of more than two years, other than mechanical equipment (Account 1770), or autos and trucks (Account 1780).

1770 Equipment

Office equipment and other mechanical equipment with a cost of more than \$500 and an expected useful life of two years or more are to be charged to this account. Desktop and laptop computers should be expensed in the year in which they are purchased (Account 4320).

1780 Vehicles

This account includes the cost of buses, autos, and all automotive equipment requiring state license plates.

1790 Construction in Progress

This is a temporary account to which expenditures for plant assets should be charged during construction. At the date of completion of construction, the total amount in this account should be transferred to the appropriate fixed asset account.

1800 INVESTMENTS - RESTRICTED FUNDS

Included in this account are all investments of funds which have been restricted by a donor to be used for a specific purpose. Scholarship funds and all other restricted funds fall into this account. Amounts received are closed to the 2800 - Restricted Net Assets account, or one of the subaccounts in that category. Restricted investments are to be adjusted to current market values at least annually.

1820 Short-term Restricted Investments

Includes marketable securities and all other investments of restricted amounts which are cash equivalent or can be liquidated within the current operating period.

1825 Faith in Our Future Short-term Investments

Includes Faith in Our Future investments which can be liquidated within the current operating period.

1830 Long-term Restricted Investments

All restricted investments which have a maturity beyond the current year.

1835 Faith in Our Future Long-term Investments

Includes Faith in Our Future investments which have a maturity beyond the current year.

1850 Faith in Our Future Checking

Cash received from the Faith in Our Future trust account from the periodic distribution of funds allocated or specifically restricted to the parish.

Appendix 3-D. Parish Liabilities and Fund Balances Code Definitions

2000 CURRENT LIABILITIES

All obligations due in one year or less from the balance sheet date, with the exception of debt incurred by purchases of land and buildings which have a long-term payment schedule, are included in this account. Accounts payable to suppliers, social security tax payable, and Federal withholding tax payable are included in this account.

2010 Exchange Account (Accommodation)

This an accommodation account to be charged for payments made by the parish for which the parish will be reimbursed, and which are not expenses of the parish that are reflected on the Profit and Loss Statement.

2020 Accounts Payable

Represents the total of amounts due for goods and services received before the balance sheet date, and not paid for by that date. Use of this account is required for parishes accounting on an accrual basis, and for all parishes with outstanding debts to the Archdiocese, Lay or Priest Pension Plans, Participants' Self-Insurance Plan or any other significant amounts due at the end of the fiscal year

2030 Federal Withholding Taxes Payable

This account is to be credited with the amount of Federal income taxes withheld from employees' salaries. Remittances of such withheld taxes are to be charged to this account.

2040 FICA Taxes Payable

Social Security taxes withheld from employees' salaries are to be credited to this account

2050 Wisconsin Withholding Taxes Payable

Wisconsin taxes withheld from employees' salaries are to be credited to this account. Remittances of such withheld taxes are to be charged to this account.

2060 Accrued Payroll

This account represents the liability to employees for services performed before the balance sheet due date. This account is credited with gross amount of wages and benefits due. An example is teachers' salaries which are paid over a twelve month period.

2070 Accrued TSA Payable

This account represents the liability for premiums paid for the benefit of employees who have asked for a reduction in wages under a formal written contract to an authorized TSA program of the employee's choice to pay the premium of a Tax Sheltered Annuity, also known as a Section 403(b) Plan.

2080 Accrued Interest Payable

The portion of the interest accrued but unpaid on the balance sheet date is to be credited to this account. Use of this account is required only for parishes accounting on an accrual basis.

2090 Other Current Liabilities

All other current liabilities for which no account has been provided above would be charged here.

2100 SHORT-TERM NOTES AND CURRENT MATURITY OF LONG-TERM DEBT

The portion of the long-term debt payable in the next twelve months from the balance sheet date and all short-term notes (due in that period) would be included in this account.

2110 Short-term Notes

The principal amounts of all short-term notes and installment contracts payable in full in the twelve months following the date of the balance sheet would be included in this account. Interest paid is charged to Account 4640.

2120 Current Maturity of Long-term Debt

The portion of long-term debt which is due in twelve months following the balance sheet date would be included in this account. Include only the principal amounts due in this period. Interest paid is charged to Account 4640.

2400 DEFERRED REVENUE

Funds on hand for services or programs to be provided or presented in a future period from the balance sheet date would be entered in these accounts. Use of this account is required for those parishes accounting on an accrual basis and all parishes that collect tuition and registration fees for schools or religious education programs in advance.

2410 Prepaid Tuition and Fees

Amounts collected for tuition and program fees applicable to future accounting periods are to be credited to this account. As fees are earned, transfers should be made to the appropriate revenue accounts, such as Account 3110.

2490 Other Prepaids

All other amounts collected applicable to a future accounting period.

2700 LONG-TERM LIABILITIES

The portion of long-term liabilities due more than one year from the balance sheet date should be recorded in this account. In the case of mortgages, include the principal only. The amount entered in this account is the difference between the total liability and the portion allocated to Account 2100.

2710 Notes Payable -- Banks

The liability for notes, loans and lines of credit outstanding to banks or other financial institutions covering borrowings for operations should be entered in this account. Monies borrowed to provide funds for building and building additions, using the facility as collateral, should be recorded in Account 2720.

2720 Mortgage Notes Payable

The liability for notes and loans outstanding to banks and other financial institutions covering

borrowings which are collateralized by a mortgage note on the parish property.

2730 Notes Payable -- Parishioners

Monies borrowed from parishioners are entered here.

2770 Notes Payable -- Other Parishes

Liability for notes or loans as a result of monies borrowed from other parishes are included in this account.

2800 RESTRICTED NET ASSET BALANCES

Amounts restricted by a donor to be used for a specific purpose are recorded in this account as a restricted net asset. The investment of these funds is recorded in Account 1800. The principal of the trust and all interest earned are shown in this account as a liability for the purpose designated by the donor. The funds can be further identified as follows.

2810 Scholarship Net Assets

Funds which have been received from donors, subject to a restriction that the principal or interest be used for a scholarship fund, are entered in this account. When amounts received are invested, the investment is recorded in Account 1800.

2820 Endowment Net Assets

Those funds where the donor stipulated that the principal be invested and maintained intact and in perpetuity, with only the income earned from the investments available for use. When amounts received are invested, the investment is recorded in Account 1800.

2850 Faith in Our Future Net Asset Balance

Funds which have been received by the parish from the Faith in Our Future campaign, restricted for use as defined by the parish case statement. Further breakdowns may be made using subaccounts to accommodate specific elements in the case statement.

2890 Other Restricted Net Assets

Small amounts of monies received from donors, who have restricted the use of these monies for a specific purpose are included in this account. Monies received in special purpose collections from parishioners are considered restricted funds. When amounts received are invested, the investment is recorded in Account 1800. Further breakdowns may be made using subaccounts.

2891 Debt Retirement Net Assets

2892 Organ Replacement Net Assets

2900 UNRESTRICTED NET ASSET BALANCES

All fund balances, other than restricted funds balances, are entered in this account. These unrestricted fund balances can be further identified as follows.

2910 General Net Assets

The difference between the total assets and the total of all other liabilities and restricted net assets, less designated net assets (Account 2920) is the amount shown as the balance in this account. Ordinarily, the

only entry in this account would be the year-end excess of revenues over operating expenses, or operating expenses over operating revenues (except for funds recorded in restricted or other unrestricted funds), when the books of account are closed. This account is also known as Retained Earnings.

2920 Parish-Designated Net Assets

This account includes separate funds designated by the parish for a particular purpose, but not restricted by the donors. Normally includes funds set aside from general revenues for a designated purpose such as debt retirement or maintenance reserves.

Appendix 3-E. Parish Revenues Code Definitions

3000 CONTRIBUTIONS

Money received from parishioners and others for which no repayment or special service to the contributor is expected. Examples would include Sunday and Holy Day collections, dues, collections for special purposes such as utilities, vigil lights, foundations, and others. The following accounts provide a further breakdown.

3010 Weekly Envelopes for Parish Support

Monies received from parishioners on a weekly basis through envelopes for general parish support. If membership dues are charged to parishioners at a fixed amount for the year for general parish support, they are included in this account. Further breakdowns may be made using subaccounts as indicated in the following examples.

XX-3011	Sundays
XX-3012	Holy Days
XX-3013	Christmas
XX-3014	Advent/Lent
XX-3015	Easter
XX-3018	Membership Dues

3020 Offertory Collection

Loose collections taken at masses for general parish support. Subaccounts can be used for further breakdowns as illustrated in Account 3010.

3030 Special Restricted Parish Collections

All monies as a result of special collections for parish purposes. This account includes collections using special envelopes or check boxes. Note that by receiving donations via special envelopes legally obligates the parish to use the funds as the donor intended. Collections may be classified by purpose using subaccounts, such as:

XX-3031	Debt Retirement
XX-3032	Building Improvements
XX-3033	Utilities

3040 Vigil Lights

Monies received from the sale of or donations for vigil lights. Similar names used for this purpose in the past include votive lights and candles.

3050 Bequests

Monies received from estates, trusts, wills, etc. which have not been restricted for a specific purpose. See Account 1800 for discussion of restricted bequests.

3060 Donations

Represents monies received from foundations, other parish organizations, or outside individuals, including memorials, but excluding amounts included in Account 3050, which may be either restricted or unrestricted in use in the parish activities. The following subaccounts suggest further breakdowns.

- 3061 Societal Donations (e.g., Christian Women, Holy Name)
- 3062 Restricted Donations (see also Account XX-1800)
- 3063 Unrestricted Donations
- 3069 Other

3065 Faith in Our Future Restricted Contributions

Contributions received for the Faith in Our Future campaign from the periodic distribution from the Faith in Our Future trust account of funds allocated or specifically restricted to the parish. Amounts received directly by the parish are recorded as a liability and remitted to the Faith In Our Future Trust. Further breakdowns may be made using subaccounts to accommodate specific elements in the case statement.

3070 Special Collections for Others

Collections that are solicited for a specific outside organization and will not be retained by the parish. Such collections would include the Archbishop's Stewardship Appeal, Campaign for Human Development, etc. (Payments should be recorded in Account 4690.) Monies that are allocated by the parish for outreach or human concerns from the general collection are recorded in Accounts 3010 and 3020.

3080 Mass Stipends and Stole Fees

When the priest does not elect to retain the mass stipends and stole fees, they are contributed to the church and recorded in this account. This account represents the amount of stole fees paid directly the parish and the mass stipends paid to the parish by the priest from the separate mass stipend checking account after the masses are said.

3090 Other

Any other contribution not included above.

3100 TUITION AND PROGRAM FEES

All monies received from education functions provided by the parish. Recorded in this classification would be tuition and program fees for school, religious education, and other educational programs.

3110 Tuition

Received from students and others. Recorded in this account would be all tuition monies received for educational programs provided by the parish school, religious education programs, adult education programs, etc.

3120 Registration

Monies received prior to inception of programs for which a tuition or fee is charged, which could be applied to the tuition or fee once the program commences. If the registration fees are received prior to the fiscal year end, and relate to the following fiscal year, they should be included in Account 2400 -- Deferred Income until the program commences.

3130 Book and Supply Fees

All fees for books and supplies for classes and programs should be credited to this account.

3140 Milwaukee Parental Choice Program Fees (net)

The amount of tuition vouchers received from the State of Wisconsin to fund School Choice participants, net of amounts paid or due back to the State in excess of the allowable cost per student amounts for the same school year.

3190 Miscellaneous Tuition and Fees

Any other tuition and fees not included above.

3200 CONTRIBUTED SERVICES

The structure of the parish has for years been dependent on the volunteer service of its people. It is virtually impossible to accurately determine the economic value of these services. However, in order to more properly determine the total cost of parish operations or specific programs that exist in the parish, it might be necessary to allocate a dollar value to these services. This is especially true when parishes become more involved in collaboration with other parishes. For that reason, the following suggested accounts are being provided for those parishes which would find it helpful to record this information. Contributed services do not represent any cash received or paid by the parish. It is merely recognized by an entry which reflects the value of the contributed service in both revenue and expense accounts. The expense must be properly recorded in Account 4020. The revenue recorded here and the expense must be equal. Since parish and school financial statements generally reflect only cash transactions, the alternative would be to acknowledge the value of contributed services in a footnote to the financial report without explicitly recording them in the accounting process.

3210 Contributed Services of Religious

Although it is the policy of the Archdiocese to pay lay equivalency to religious, there may be some cases where religious are paid only a nominal sum for the services they perform. In those instances where religious personnel perform services comparable to the services performed by other lay persons, the value of the compensation differential should be recognized as a contributed services revenue and expense.

3250 Other Contributed Services

Those parishes which place a dollar value on all contributed services by their laity and on volunteer services should record the revenue value in this account. Volunteer services which would be paid for by the parish if the volunteers were not available should be considered in recording contributed services. The difference in payment for services of lay employees who are compensated at a level lower than comparable positions in other organizations or businesses should not be recorded as contributed services.

3300 RENTALS

Monies received from the rental of any parish properties or facilities are recorded in this account, including all receipts from rental of land or buildings.

3310 Hall Rentals

Monies received from the temporary rental of parish space.

3390 Other

Any other rentals not included above from leases or other long term rental agreements.

3400/3500 OTHER REVENUES

Represents monies derived from other revenue sources. Further breakdowns are provided by the following accounts.

3410 Scholarships

Monies received from the parish or other individuals that are to be distributed to students for payment of tuition or books.

3420 Cafeteria

All money received from sale of meals to students and others in programs run by the parish. Government student lunch program receipts should not be recorded in this account. See Account 3450.

3430 Vending Machines

Money received from canteen and vending machine sales NOT provided in the cafeteria account.

3440 Bingo and Other Program Concessions

Monies received from running concession stands for bingo or other programs.

3450 Government Assistance

Money received from the Federal Government in aid of the food service program.

3460 Archdiocesan Assistance

Monies received from the Archdiocese Office that are used to fund current

operating programs.

3470 Investment Income

All monies received from earnings on short-term and long-term investments. Investment income is recorded in separate subaccounts for realized (cash) and unrealized (gains/losses) earnings.

3471	Interest and Dividend Income
3472	Unrealized Gains on Investments
3473	Unrealized Losses on Investments

3475 Faith in Our Future Investment Income

All monies received from short-term and long-term Faith in Our Future investments.

3480 Publications

All money received from the sale of newspapers, publications, and bulletin advertising, including rebates paid to the parish from the bulletin company. Further breakdowns are suggested by the following subaccounts.

XX-3481	Catholic Herald
XX-3482	El Visitante
XX-3483	Bulletin Advertising

3510 Loan Receipts

Monies received from borrowing money.

3520 Sale of Assets

Proceeds from the sale of parish land, buildings and equipment.

3590 Other

All other monies received, but not provided for in other accounts. NOTE: Refunds made from expenditures made by the parish are to be recorded in the account originally charged when the bill was paid.

3600 FUND RAISING AND ACTIVITY EVENTS

All money received from various fund raisers or activities sponsored by the parish, or a parish organization, is recorded in this category. Only the net proceeds from fund raising and activities are reported. For tracking purposes, a parish or school may create both an income and contra income account for each category. The following accounts are examples of fund raising or activity events for which separate accounting may be appropriate.

3610 Bingo

Include all monies transferred from the net receipts received from playing bingo. These funds are normally transferred by the organization(s) sponsoring bingo.

3620 Festival

The net receipts received from the parish festival are credited to this account.

3630 Activity Fees

All money received from various activities is included in this account. An example would be fees charged for participation in an athletic program, admission fees charged to view an athletic event, or school field trip fees.

3690 Other Fund Raisers

All other fund raising and activity receipts not included in the above accounts.

The following subaccounts provide examples of further breakdown.

XX-3691	Pizza Sales
XX-3692	Candy Sales
XX-3693	Bake Sales
XX-3694	Paper/Bottle Drives
XX-3695	Raffles

Appendix 3-F. Parish Expenses Code Definitions

4000/4100 SALARIES AND BENEFITS PAID

Salaries and related payroll costs of all clergy, religious, and lay employees associated with the parish are included in this category. Note that the gross salaries are recorded in this and other salary accounts. Amounts withheld are credited to the proper liability accounts (in the 2000 series) and then charged at the time of payment to the appropriate authority.

4010 Salaries

Salaries and wages paid to all employees as stated above. Further breakdowns of expenses that cannot be identified by program code can be made using the following subaccounts.

- 4011 Priests
- 4012 Program Director
- 4013 Teachers and Principals
- 4014 Maintenance Personnel
- 4015 Clerical Personnel
- 4019 Other

4020 Salaries and Benefits Contributed

See Account 3200 for an explanation of this category. Amounts recorded in this account must be offset by the same amount in Account 3200.

4030 Unemployment Benefit Premiums

Any unemployment benefit premiums that are paid.

4040 Employer's Portion of FICA Tax

The parish portion of Social Security taxes that are paid.

4050 Employer's Portion of Hospital and Dental Insurance

Hospital and dental insurance premiums paid for the benefit of employees. The amount reported in this account is equal to the total premium billed less any amounts withheld from employees' checks.

4060 Employer's Contribution to Pension Plans

Payments made to priest and lay pension plan(s) by the parish for employees' benefit.

4080 Continuing Education

Continuing education expenses of priests, deacons, and other employee education at accredited courses or schools.

4090 Auto Allowance

Auto allowance paid to employees other than exact reimbursement for mileage and

travel. When amounts are recorded here, they are reportable as income to the employee. Mileage and other travel expenses reimbursed under an accountable reimbursement plan are recorded in Accounts 4630 and 4620, respectively.

4110 Housing Allowance

Costs of qualified housing expense as listed on the priest compensation record. These amounts are reduced from the priest's total compensation and paid separately from other payroll amounts.

4190 Other

Any other employee benefit(s) that does not fit in one of the above accounts, including the employer portion of long term disability and life insurance premium amounts .

4200/4300 SUPPLIES AND PURCHASED SERVICES COSTS

The costs of supplies and purchased services are recorded in this category. Further breakdowns are provided by the following accounts.

4210 Supplies

Program and material costs for office, classroom and liturgical supplies unless provided for in other accounts below. Further breakdowns that cannot be identified by program code can be made using the following subaccounts:

4211 Office Supplies

4212 Classroom Supplies

4213 Printer and Copier Supplies

4220 Postage

Costs for postage, postage meter rental, UPS service, etc.

4230 Books

Purchase of books and publications used in programs or functions, including school library books.

4240 Clothing and Shelter

Costs for purchase of clothing and shelter rental on behalf of the needy.

4250 Direct Assistance

Direct assistance relates to cash payments to or on behalf of the needy (e.g., tuition, grants, cash gifts).

4260 A-V Materials

Costs for purchase or rental of audio-visual materials such as film, film strips, recordings, exhibits, charts, maps, and television and radio materials used in the program.

4270 Food and Meals

Cost of any food or drinks used in the program.

4320 Technology

Software, hardware costs that are not capitalized, and outside service costs related to data or word processing.

4340 Professional Services

Expenditures paid to non-employee speakers and consultants, temporary help, etc. All attorney and accounting fees are included in Account 4610.

4350 Testing

Costs of standardize testing, including supplies, forms and evaluation costs.

4390 Other

Any other costs that do not fit in one of the above accounts.

4400/4500 BUILDING AND GROUNDS EXPENSES

Expenditures for operating and maintaining the buildings and grounds are charged to this category. Refer to the discussion of cost allocation in Chapter 2 to determine the appropriate way of allocating these expenses to various programs and functions. Further breakdowns of these expenses are provided by the following accounts.

4410 Telephone

Telephone and cell phone bills paid by the parish or school.

4420 Heat

Expenditures for steam, fuel oil, gas, etc., used for heating. If gas or electricity is used for heating and other purposes, and if the bills cannot be divided between heat and utilities, the amount involved is to be charged to this account.

4430 Electric

Expenditures for electricity for lighting and power except for heating buildings.

4440 Water and Sewer

Water, sewer and other charges billed by the local water authority.

4450 Maintenance of Grounds

Expenditures for care of grounds, such as fertilizer, re-seeding, sodding, and for repairs and replacements of fixtures built into grounds. Expenditures for the improvement of grounds that are permanent in nature, such as signage, storage, parking lot improvements, etc., are recorded in Account 4740 prior to being reclassified as Fixed Assets. Further breakdowns may be made using subaccounts.

4451 Snow Removal

4452 Lawn Cutting

4453 Other Outside Contractor Services

4460 Repair and Maintenance of Buildings

Expenditures paid to outside individuals in order to maintain parish buildings, such as painting or tuck pointing, and repairs like replacing windows, doors or locks. Building additions and improvements are recorded in Account 4740 prior to being reclassified as Fixed Assets.

4470 Repair and Maintenance of Furniture and Equipment

Expenditures paid to keep all equipment in good working order. This includes such things as copiers, elevators, boilers. This account includes the cost of service contracts. It does not include supplies such as printer toner which is accounted for as supplies.

4480 Building Maintenance Supplies

Janitorial supplies such as cleaning compounds, light bulbs, toilet paper, nuts and bolts, and other hardware supplies used for maintaining the buildings are charged to this account.

4510 Property and Liability Insurance

All payments to the Archdiocese of Milwaukee Protected Self Insurance program for insurance and worker's compensation premiums are charged to this account.

4520 Property Taxes

Taxes paid on rental units, inspection fees and special assessments.

4590 Other Building Expenses

This account includes any building costs not included in the above accounts.

4600/4700 OTHER EXPENSES

All expenses that cannot be categorized as salary and benefits, direct program costs, or building expenses are to be charged to this category.

4610 Legal and Accounting

Payments made to legal and accounting professionals and payroll providers are charged to this account.

4611 Copyright Legal Fees

4612 Annual Financial Review Fees

4613 Payroll Services

4620 Meeting Expense

Expenses incurred while attending conventions and meetings outside of your parish (including any mileage reimbursement specifically related to the convention or meeting). Also see the definition of Account 4080 - Continuing Education.

4630 Mileage Reimbursement

Cash paid to people on a per mile basis that is not charged to outside meeting expense. Also see the definition of Account 4090 - Auto Allowance.

4640 Interest Expense

All interest paid on money borrowed on short-term and long-term loans.

4650 Debt Repayment

Repayment of principal on loans. At year end this account is closed out to the appropriate liability account after the creation of the Profit and Loss Statement but before the completion of the Balance Sheet.

4660 Scholarships

Amounts contributed by the parish from current operating funds for tuition and/or books for students meeting certain requirements. This amount will be offset by an entry to Account 3410, Scholarships Revenue.

4670 Publications

All costs relating to the purchase or production of newspapers, bulletins, etc. Further breakdowns may be made using subaccounts similar to those under Account 3480.

4671 Catholic Herald

4672 El Visitante

4673 Bulletin

4680 Assessments

Payments made to the Archdiocese or other organizations for assessments made by those entities would be recorded in this account. These assessments could be further identified using the following subaccounts.

4681 Archdiocesan Assessment (formerly Cathedraticum)

4682 Schools Marketing Assessment

4683 High School Assessment

4690 Special Collections for Others

Monies collected and remitted to others. (Revenues are recorded at Account 3070).

4710 Bingo and Other Program Concessions

All costs related to running the bingo concession stands (e.g., soda, beer, popcorn, hamburgers).

4720 Rental Expense

Expenditures for rentals of equipment or space necessary or in connection with the overall administration of the organization.

4730 Dues and Subscriptions

Membership dues for the parish organizations or individuals, and subscriptions to magazines and periodicals not chargeable to other accounts are recorded in this

account.

4740 Major Maintenance and Capital Expense

Tangible property and real estate purchases or additions that cost more than \$500.00 and have a useful life of two years or more are recorded in this account. Examples include building additions, improvements, office furniture, computer hardware excluding desktop and laptop computers, and audio-visual equipment. At year end, this account is closed out to a fixed asset account after the creation of the Profit and Loss Statement but before the completion of the Balance Sheet

4750 Volunteer Recognition Costs

Expenses incurred for recognition dinners, awards, etc. given to the volunteers in appreciation for their services.

4780 Bad Debt Expense

Accounts Receivable for tuition, registration fees, book fees, etc. which have been assessed and charged to revenue but are deemed uncollectible are to be charged to this account.

4790 Other Expense

All other costs that cannot be charged to a specific account.

4.0 PARISH BUDGETING GUIDELINES

4.1 Introduction. All organizations or entities, whether they are individuals, households, multibillion dollar corporations or nonprofit organizations, must, to a greater or lesser degree, become involved in financial management which begins with financial planning. The most important tool in the financial planning process is the budget. All parishes must operate within a budgetary framework which starts with the initial planning for the preparation of the budget to the actual implementation and comparison of actual financial data to budget data.

4.1.1 The primary purpose of the budget is to identify the financial resources needed to accomplish the parish's programs. Budgetary control and financial reporting will assure all concerned that parish funds are administered properly. The first step is to study the specific needs of the parish, the comparative urgency of each need, and a thorough review of the income possibilities. Then, and only then, can the parish determine the relative priority of the various needs and prepare a budget addressing the identified needs within the limits of the projected income.

4.1.2 Within the Archdiocese of Milwaukee, all parishes are required to conduct some form of budgeting and to identify revenue that will cover planned expenditures. Over the years, some parishes have been able to generate revenues in excess of their expenditures and have accumulated reserves. Recently more parishes in the Archdiocese have experienced increasing expenses along with falling revenues. They have found themselves in a deficit spending situation and have either used their reserves or have borrowed to meet their obligations. This is a practice that will clearly lead to financial failure of the parish if continued.

4.2 Policy. The budgeting guidelines presented in this Manual are just that, guidelines. The material is intended to describe the important elements of the budgeting process and provide advice on how to implement them. Annual parish budgets should be prepared so that planned expenditures do not exceed expected revenues. When a parish develops a "deficit budget" where planned expenditures exceed expected revenues, even if reserves cover a deficit the parish must obtain approval from the Archbishop as directed in Section 4.7 of this Manual.

4.3 Scope of a Parish Budget. A parish is a community of believers working together in responding to God's call. Because of our unique perspectives on what that response should be, there may be differences of opinion about how the parish should act in various situations. These differences come to the fore when those actions require funding and are seen as competing in the budget process. In some other dioceses, the operation of the parish school stands apart from the rest of the parish. However, in the Archdiocese of Milwaukee, and therefore in this Manual, the school is considered an integral part of the parish. It is designated by a separate program code--one among many--in the Parish Uniform Chart of Accounts. While the proposed school budget should be

developed independently, as should the proposed budgets for other programs, that proposed school budget should be integrated with those of other programs to form the consolidated parish budget.

4.4 Budgeting Background. Much has been written about types of budgets and the budgeting process, but the most important consideration for a particular parish is what process, what implementation, and what review will work best within your specific parish setting. Several budgetary suggestions and formats are included in this Manual to serve as guidelines for those parishes. The suggestions included in the Manual are based on input from many parishes in the Archdiocese and attempt to include the best features from those working models.

4.4.1 The Office of Parish and School Financial Services is a continuing resource to parishes to assist parishes in developing, implementing, or revising their budgeting systems. Parishes desiring assistance should contact that Office directly.

4.4.2 In discussing the budgeting process in this Manual, reference will be made to a Budget Committee of the Parish Finance Council. This is a committee that prepares the recommended parish budget.

4.4.3 There are several factors and phases that should exist in the budgeting process. In practice, however, the lines among these factors are often blurred. The specific factors include

- Budget Process (Section 4.5)
- Budget Approval (Sections 4.6 and 4.7)
- Budget Implementation (Section 4.8)
- Budget Review and Comparison (Section 4.9)
- Budget Timeline (Section 4.10)

Each of these factors is discussed in the following sections.

4.5 Budget Process. A budget is a written financial plan covering a future period of specified duration. In this Manual, the discussion will focus on the annual Fiscal Year budget. Budgets can be developed for operating purposes and/or for capital improvements. Here, the focus is on operating budgets since major capital expenditures will occur infrequently. The guidelines and suggestions in this manual focus on what is called a "program budget." The various activities to be performed are identified by the program for service that is anticipated. The proposed conduct of continuing programs as well as possible new programs are included in this process. All programs or functions of the parish should be a part of the budget process, including the activities of all affiliated organizations. It is important that if any expenditure is to be made, that the persons responsible for the expense be consulted relative to their needs.

4.5.1 The budget process should proceed according to a timeline established for the parish. A suggested budget timeline is described in Section 4.10, while the

sequence of budget activities is described below. All persons preparing a budget should be familiar with the Parish Uniform Chart of Accounts and what is included in each revenue and expense category. All should be made aware of their responsibility in the preparation of an accurate budget and, at the same time, of their responsibility for monitoring the budget as finally approved. They should be made aware of the basic objectives and goals of the parish. A review of the parish Mission Statement will assist in this area. Instructions should be provided to all preparers as to what fiscal parameters will be considered in the upcoming fiscal year. Will inflation increases be provided? Are there new programs anticipated? Will lack of available funds force reductions in programs? The pastor and the Pastoral Council will provide direction to the Budget Committee on additions, deletions and changes to programs. The Budget Committee does not create policy; it is their responsibility to prepare a budget based on the goals that have been provided by the leadership and program administrators.

4.5.2 Too often, when budgets are prepared, they are assembled using prior year figures (usually budget figures) with an automatic percentage increase added on. Although certain categories of the budget lend themselves to automatic percentage increases, for the most part, all expected revenues and planned expenditures for each budget year should be determined for specific programs or functions using the appropriate activity levels for the year. This would result in the total dollar costs being the consequence of reviewing individual expenditures rather than just increasing the costs with a percentage increase figure.

4.5.3 A standard set of budget preparation forms should be developed and used by each committee or person in charge of the particular program. The importance of uniformity in the budget preparation form becomes apparent when the total consolidated budget of the parish is assembled. At the beginning of the budget preparation cycle, all persons responsible for any program or function should be provided with these standard forms. To the extent that new programs are anticipated by the Pastoral Council or other persons, the scope of those programs should be identified to the responsible person preparing the proposed budget. In addition, previous year data including budgeted amounts and actual revenues/expenses should be provided to the preparers by the Budget Committee.

4.5.4 Sample budgeting forms are included as exhibits to this chapter. The material included in the exhibits illustrates the type of material that is useful in preparing and evaluating a parish budget. The same format can be used to present a consolidated parish budget, or used by individual programs within the parish, such as school ministry or adult ministry to collect information for the Budget Committee. Regardless of the format that is used, the budget material should include all of the elements described below.

4.5.4.1 The elements of a consolidated budget that are discussed below include:

- Cover Sheet (Program Identification)

- Schedule A (Expected Revenues)
- Schedule B (Planned Expenses)
- Schedule C (Salary and Benefit Worksheet)
- Schedule D (Explanation of Changes)
- Schedule E (Miscellaneous Revenues and Expenses)

4.5.4.2 A cover sheet for individual programs or functions to list the various documents that support the budget request for that program or function will aid in the collection of budget information. As prepared, it is simply a check list. It could be modified to include summaries of the expected revenues and expenses associated with that program or function for the next Fiscal Year. See Appendix 4-A.

4.5.4.3 The types and expected amounts of revenue for the next year should be forecasted by accounting classification as described in the Parish Uniform Chart of Accounts. Revenues should be estimated conservatively, taking into account the particular circumstances of the parish. The general rule of thumb for revenues is to understate them. See Appendix 4-B.

4.5.4.4 Appendix 4-C is identified as Schedule B for the program budget package. The purpose of this schedule is to identify the possible types and expected amounts of expenses for the next year. Each line in the schedule corresponds to one of the expense accounts in the Parish Uniform Chart of Accounts. Within each section, there are blank lines in case your parish has identified additional account numbers. The Budget Committee should provide each person preparing a budget for a program with the data in Columns A, B and E. Column A contains the actual expenses incurred in the Previous Fiscal Year. Column B included the actual expenses incurred in the first 6 months (July - December) of the Current Fiscal Year. Column E contains the approved budget for the Current Fiscal Year. The person preparing the budget will complete Column C, the expected expenses for the remainder of the Current Fiscal Year, column D (the sum of columns B and C), and column F, the expected (proposed) expenses for the Budget Fiscal Year. Column G is used to calculate the percentage increase (decrease) in the proposed Budget Fiscal Year budget compared with the Current Fiscal Year budget.

4.5.4.5 Salaries and benefits often constitute a significant portion of the expenses in parish programs. In order to determine those expenses, Appendix 4-D is a Salary and Benefit Worksheet (Schedule C) that identifies the current and proposed salary for each individual, and includes columns for the various benefits. The amount of the benefits may be dependent on the salary (e.g., social security, pension contribution) or may be determined by some other scale (e.g., health insurance). The appropriate amounts are calculated for each individual and entered in the

indicated columns. The bottom row on the worksheet is used to total the expenses in each category. Those totals can then be transferred to Schedule B on the indicated lines. In some cases, one individual may be working in more than one program. For example, the Director of Religious Education may have responsibilities for the Child Ministry, Youth Ministry and Adult Ministry programs. In such cases, the salaries and benefits should be allocated to the different programs.

Appendix 4-D could be modified to add a row that indicates the amount allocated to that program. The allocation method should be selected from among those discussed in Section 2.11 of this Manual, and be the same method which is used to allocate actual expenses to the program. Because of sensitivity to public knowledge of individual employees' salaries, this worksheet may be retained by the Budget Committee and only the total expenses in the identified categories be released to the program budget preparers.

4.5.4.6 In order to properly review and evaluate a budget request, the Budget Committee and the Pastoral Council must understand the rationale for any budget increases or decreases. Appendix 4-E is identified as Schedule D and requires that all increase or decreases in the budget be explained. This schedule is used to explain both changes in expenses as well as changes in revenues. Appendix 4-F (Schedule E) is used to identify all miscellaneous revenues and expenses in the proposed budget.

4.5.4.7 Schedules A and B require annual estimates of revenues and expenses in the various accounts. One of the important financial management tasks in a parish is managing the day-to-day cash flow and insuring that bills are paid in a timely manner. Using annual estimates of revenues and expenses is not very useful for managing cash flow. However, projecting revenues and expenses on a monthly or quarterly basis can assist greatly in that process. Some expenses such as insurance premiums and the Archdiocesan Assessment are payable quarterly. The budget should reflect in which month in the quarter those payments will be made. That level of detail will assist in managing the cash flow. This more refined breakdown of revenues and expenses can often suggest ways of leveling the expenses and determining where new revenues will be required. To assist in that planning, Appendices 4-G and 4-H include worksheets that can be used to estimate monthly or quarterly revenues and expenses. The worksheets include the account numbers from Schedules A and B, and include two columns for each month in the fiscal year. The Total column should correspond to Column F of Schedules A and B. These monthly or quarterly projections can be provided to the budget preparer as an additional tool to help prepare the budget, or they might be part of the required budget package for each program, depending on the needs of each individual parish. When they are used, the Budget

Committee should provide the preparer with all of the monthly or quarterly revenue or expense data (both actual and budget).

4.5.5 The proposed budgets completed at the program level should then be assembled for review by the Budget Committee. At this point in the budget process, it will often be the case that the monies desired for programs or functions exceed the funds available to operate them.

4.5.5.1 It is important to estimate, as accurately as possible, the anticipated revenue. Only income that can reasonably be expected to be received should be included in the budget. Normally, a conservative approach to estimating revenue and expenditures should be followed. Do not be overly optimistic. However, do not be so conservative that important necessary programs are cut because there might not be funds available. Proposed adjustments to expenditures should be made keeping in mind the parish priorities and objectives which had been established earlier. The use of reserves to provide additional funding is not a source of revenue in the operating budget. These amounts would have been reported as revenue in the year in which they were received, and should not be counted again.

4.5.5.2 Because there is usually no margin for error in nonprofit organizations, it would be prudent to include a contingency dollar amount to cover the unexpected expenditures that had not been included in the budget. Small contingency funds could be included for each program or one such fund be established for the parish. The size of the fund could be a specified dollar amount or some percentage of the total budget. Reviewing past actual expenditures with planned expenditures would provide the best guidance for the size of such contingency funds in each parish. Another approach to meeting unanticipated expenses is to reprogram resources within a given program or among several programs.

4.5.6 Once the proposed budget has been reviewed and suggested adjustments made (if necessary to balance the total parish budget), a member(s) of the Budget Committee should meet with the various persons responsible for the preparation of each program or function portion of the budget to discuss the proposed adjustments with them. This might result in minor changes because of the different priorities of each program or function. However, any changes should not be allowed to unbalance the total overall parish budget.

4.5.7 The resulting proposed budget is forwarded to the pastor for his review and action. Normally, a summary of the proposed budget is used in this process, with the Budget Committee available to address specific issues with the full detailed budget.

4.6 Balanced Budget Approval. The development of a balanced budget is a cooperative effort of the Pastoral and Finance Councils and the pastor/priest

administrator is the approval authority. General guidelines and procedures to resolve conflicts follow below.

4.6.1 The proposed final budget is presented to the Finance Council for approval recommendation. Any substantial increase in expenditure, decrease in income, or new program should have been discussed thoroughly with the Pastoral Council. These factors should have been discussed with the Pastoral Council during the initial stages of the budget process, and the discussion at this time would reflect the impact on the total parish budget. Although questions from the Pastoral Council are expected and provide an excellent tool for educating them on the financial aspects of parish management, it is not the role of the Pastoral Council to review individual line items of the budget, nor to use the budget as a vehicle to discuss the performance or compensation of individual staff members.

4.6.2 If the Finance Council does not approve a certain portion of the proposed budget, it should return the entire budget to the Budget Committee with a rationale for disapproval and the suggested solutions. The Budget Committee will meet with various persons responsible for the preparation of the budget for the affected programs or functions to discuss possible adjustments, and will revise the proposed budget as appropriate and resubmit it to the Finance Council.

4.6.3 Because the pastor/priest administrator is the chief juridic officer of the parish according to canon law, the pastor/priest administrator is the final approving authority for the parish budget. The pastor/priest administrator may exercise that authority through the consensus process, or may choose to do so in a separate approval action after receiving a recommended budget from the Finance Council.

4.6.4 There may be times when the pastor/priest administrator and the Finance Council do not agree on a proposed parish budget, and the pastor/priest administrator feels that he must veto the parish budget. This may occur because the Finance Council has included items in the budget with which the pastor/priest administrator disagrees, or the Finance Council has not included items which he believes should be in the budget. If the pastor/priest administrator feels that he must in conscience veto the parish budget, he should resort to the normal appeal procedures. If the conflict cannot be resolved locally, the matter is referred to the Archbishop, and action on the budget is suspended until the conflict is resolved.

4.7 Deficit Budget Approval. A deficit budget is one where the planned expenditures exceed the anticipated revenues for a particular fiscal year, even if reserves cover a deficit. There may be occasions when a parish is forced to prepare a deficit budget. In those cases, the parish must obtain the approval of the Archbishop as indicated in section 4.2. The procedures to be followed to obtain that approval are included in Appendix 4-I.

4.8 Implementation. The final approved budget should be implemented from the first day of the new Fiscal Year. A summary of the approved budget must be given to the parish (e.g., parish bulletin, newsletter) in order that the entire parish community is fully aware of the proposed financial transactions for the coming year. The parish must submit a form each year to the Archdiocese that informs the Archbishop how the budget information has been communicated to the parishioners. A copy of the form that could be used appears in Appendix 4-J.

4.8.1 The process of formulating the budget and working throughout the process until final approval, obviously, is not the end of the budget process. It must now be put into use. Each program or function in the parish must be provided timely reports on where they stand with their revenues and expenditures in relationship to their budgeted dollars. Expenditures must be based on the goals, plans and programs established at the beginning of the budget process.

4.8.2 Spending should not exceed the limits of the approved budget. The budget is now used to make certain that the monies are spent only for approved programs and that budgets are not exceeded unless approved by the pastor/priest administrator after consulting with the Budget Committee and the Finance Council. Spending for programs or activities not budgeted is not authorized without such approval.

4.8.3 A parish should establish clear guidelines for how much latitude a program or function administrator has in making decisions about the use of individual line items within a total program or function budget. Within a budget, there may be amounts identified to many different accounting classifications. It is strongly recommended that administrators be given the authority to make decisions about spending more or less on individual line items without requesting additional approval as long as total spending does not exceed the approved budget.

4.9 Budget Review and Comparison. It does no good for a parish to spend all the time in the process of preparing a budget and then end up putting the final approved budget in a file. The budgets must be continuously reviewed and adjusted if necessary. Monthly financial reports must be prepared comparing actual figures with budgeted figures and any discrepancies are reviewed with the person in charge of each specific program or function. A specific process should be established in the parish so that all who are involved are aware of what must be done in case of a need for additional funding or expense reduction.

4.10 Budget Timeline. As much time should be provided to the budget process as is needed in each individual circumstance. Sufficient time is necessary to allow those involved in the budget process to adequately prepare and review the data to be submitted. This should recognize that many facets of budget preparation include volunteers who are involved in the various programs as chairs, as well as staff and other interested parties. Contract timelines also have to be taken into consideration.

The following general timeline should provide sufficient time for all aspects of the budget preparation and approval process. The specific dates are arbitrary and should be adjusted to meet each parish's situation. The span of time indicated by the chosen date should be sufficient for most parishes to perform the necessary budgeting tasks.

4.10.1 *December 15*-Budget forms and instructions are to be distributed to all persons responsible for any program or function in the parish. Previous Fiscal Year, current Fiscal Year, and budgeted Fiscal Year financial data should be provided by the Budget Committee when these forms are distributed.

4.10.2 *January 31* - All completed budget forms should be returned to the Budget Committee, and assembled by designated members of that committee prior to review by the whole committee. In assembling the various program or function budgets, a consolidated budget should also be prepared.

4.10.3 *February 28* -The Budget Committee should complete the initial review of the proposed budget. The review should provide for suggested adjustments or areas of adjustment in order to insure a balanced budget. The Budget Committee should not make changes, deletions or additions.

4.10.4 *March 1-15* - The Budget Committee discusses proposed adjustments with persons responsible for the program budget preparations. The Budget Committee consults with the Finance Council and pastor/priest administrator if discussions with the program administrators fail to result in a balanced budget.

4.10.5 *April 1* - The Budget Committee finalizes proposed budget and submits a summary of the proposed budget to Finance Council members in advance of the April Finance Council meeting.

4.10.6 *April May*- The proposed budget is presented to the Finance Council for discussion. Approval by the pastor/ priest administrator is the final step in the process.

Appendix 4-A. Sample Budget Cover Sheet

(PARISH NAME)

BUDGET REQUEST DATA
BUDGET YEAR 20__ - 20__

NAME OF PROGRAM OR FUNCTION: _____

CONTACT PERSON: _____

TELEPHONE NUMBER: _____

PERSON PREPARING THIS REQUEST: _____

The following Budget Request Data forms are included in this packet:

	Schedule	Completed
Revenue Budget Summary Form	A	_____
Expense Budget Summary Form	B	_____
Salary and Benefit Worksheet	C	_____
Budget Comments--Increases and Decreases	D	_____
Budget Comments -- Miscellaneous Revenue and Expenses	E	_____

Submitted by: _____
Signature Title Date

Appendix 4-B. Sample Revenue Budget Summary Form

Appendix 4-B. Sample Revenue Budget Summary Form

(PARISH NAME)

SCHEDULE A – REVENUE BUDGET SUMMARY BUDGET YEAR 20__ - 20__

Program: _____

ANTICIPATED REVENUES

Line	Acct. No.	Account Description	A Previous FY	B Current FY YTD	C Proj Rev to End of Current FY	D Total Current FY (B + C)	E Current FY Budget	F Proposed Budget	G Increase (Decrease) (F – E)
1	3000	Contributions, General							
2	3010	Weekly Envelopes							
3	3020	Offertory Collections							
4	3030	Special Parish Collections							
5	3040	Vigil Lights							
6	3050	Bequests							
7	3060	Donations							
8	3070	Special Collections for Others							
9	3080	Mass Stipends and Stole Fees							
10	3090	Other							
11									
12									
13		TOTAL CONTRIBUTIONS (lines 1-12)							
14	3100	Tuition and Fees							
15	3110	Tuition							
16	3120	Registration							

Appendix 4-C. Sample Expense Budget Summary Form

Appendix 4-C. Sample Expense Budget Summary Form

(PARISH NAME)

SCHEDULE B – EXPENSE BUDGET SUMMARY BUDGET YEAR 20__ - 20__

Program: _____

ANTICIPATED REVENUES

Line	Acct. No.	Account Description	A Previous FY	B Current FY YTD	C Proj Rev to End of Current FY	D Total Current FY (B + C)	E Current FY Budget	F Proposed Budget	G Increase (Decrease) (F – E)
58	4000	Salaries and Benefits Paid, General							
59	4010	Salaries							
60	4020	Salaries and Benefits Contributed							
61	4030	Unemployment Tax							
62	4040	Employer's Portion of FICA Tax							
63	4050	Employer's Portion of Hospital and Dental Insurance							
64	4060	Employer's Contribution to Pension Plan							
65	4070	Tax Sheltered Annuity Premium							
66	4080	Continuing Education							
67	4090	Auto Allowance							
68	4110	Food and Living Allowance							
69	4190	Other							
70									
71									
72		TOTAL SALARIES AND BENEFITS (lines 58 – 71)							
73	4200	Supplies and Purchased Services, General							

Appendix 4-D. Sample Salary and Benefit Worksheet
(PARISH NAME)

A large grid of graph paper with a faint, stylized drawing of a person's head and shoulders in the background. The drawing is composed of simple lines and is positioned in the upper left quadrant of the page. The grid lines are thin and black, forming a uniform pattern across the entire page. The drawing of the person's head is composed of several overlapping shapes, including a large circle for the head, a smaller circle for the eye, and a series of lines for the jaw and neck. The shoulders are represented by a few simple lines extending from the neck area. The overall style is minimalist and abstract, resembling a sketch or a logo.

Appendix 4-E. Sample Budget Comments – Increases and Decreases

(PARISH NAME)

SCHEDULE E – BUDGET COMMENTS INCREASES AND DECREASES BUDGET YEAR 20__ - 20__

Program: _____

Identify the reasons for changes from the current year budget.

<u>Schedule</u>	<u>Account Code</u>	<u>Column</u>	<u>Comments</u>
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Appendix 4-F. Sample Budget Comments – Miscellaneous Revenues and Expenses

(PARISH NAME)

**SCHEDULE F – BUDGET COMMENTS
MISCELLANEOUS REVENUES AND EXPENSES
BUDGET YEAR 20__ - 20__**

Program: _____

Give a detailed description of all miscellaneous (other) revenue and expenses included in your budget request.

<u>Schedule</u>	<u>Account Code</u>	<u>Column</u>	<u>Comments</u>
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Appendix 4-G. Sample Monthly Revenue Planning Worksheet

Appendix 4-G. Sample Monthly Revenue Planning Worksheet

(PARISH NAME)

MONTHLY REVENUE PLANNING WORKSHEET BUDGET YEAR 20__ - 20__

Line	Acct. No.	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
1	3000													
2	3010													
3	3020													
4	3030													
5	3040													
6	3050													
7	3060													
8	3070													
9	3080													
10	3090													
11														
12														
13														
14	3100													
15	3110													
16	3120													

Appendix 4-H. Sample Monthly Expense Planning Worksheet

Appendix 4-H. Sample Monthly Expense Planning Worksheet

(PARISH NAME)

MONTHLY EXPENSE PLANNING WORKSHEET BUDGET YEAR 20__ - 20__

Line	Acct. No.	JUL	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
58	4000													
59	4010													
60	4020													
61	4030													
62	4040													
63	4050													
64	4060													
65	4070													
66	4080													
67	4090													
68	4110													
69	4190													
70														
71														
72														
73	4200													
58	4000													

Appendix 4-I. Deficit Budget Approval Procedures

1. Definition: A deficit budget is a budget where the planned expenditures exceed the anticipated revenues, even if reserves cover a deficit.
2. Policy: Any parish that approves a deficit budget or has operated at a deficit for the two previous completed fiscal years must obtain the approval of the Archbishop before acting on the next fiscal year budget.
3. Timeline: The proposed (deficit) budget must be submitted to the Archdiocese no later than May 15 preceding the beginning of the Fiscal Year so that action can be completed prior to the beginning of the Fiscal Year.
4. Procedures: It is recognized that a deficit budget may be required from time to time. It is the routine and repeated use of a deficit budget that requires a change in direction. The following procedures will permit a meaningful review of the proposed deficit budget by the Archbishop and permit him to take appropriate action.
 - a. Parish submits the parish-approved deficit budget to the Office of Parish Financial Services with the following enclosures.
 - (1) Detailed financial report and the associated budget for the past two Fiscal Years.
 - (2) Current Fiscal Year financial report through March 31 with a projection of revenues and expenditures for the fourth quarter ending June 30.
 - (3) Current Fiscal Year budget.
 - b. Parish submits an analysis of the proposed budget indicating the changes in revenues and expenditures that have resulted in the deficit.
 - c. Parish submits a plan indicating how they will resolve the budget in the future and identify the steps needed to maintain a positive cash position.
 - d. The Office of Parish Financial Services will review the material submitted by the parish, discuss the situation with the parish as necessary, and present the proposed deficit budget to the Archbishop with recommendations no later than three weeks after it is received from the parish.
 - e. The Archbishop will approve the deficit budget as proposed, approve it with modifications, or return it to the parish for further work.

Appendix 4-J. Sample Communication of Budget

Parish Name _____ Parish Code _____

Pastor/Parish Director _____

Budget Fiscal Year _____

As required by Archdiocesan policy, a copy of the parish budget is attached. We assert that the budget committee has met and developed the budget for the parish, that this budget has been presented to the Finance Council and that the summary of the approved budget has been or will be communicated to our parishioners as described below.

Date of meeting with Pastoral Council _____

Date of communication to parishioners _____

This budget was communicated to our parishioners by (e.g., bulletin, newsletter, mailing):

Signatures:

Pastor/Parish Director

Chairperson, Finance Council

Trustee – Secretary

Trustee - Treasurer

5.0 FUND AND FINANCIAL MANAGEMENT GUIDELINES

5.1 Introduction. The management of the finances of any large organization is a complex task usually involving many different people performing different functions. The separation of functions is at the heart of what is called internal control.

5.1.1 In general, internal control includes all actions taken by an organization to safeguard its assets, verify the accuracy and reliability of its accounting data, foster efficiency and adhere to good management practices. Some of the more important features of a system of internal control include: physical protection of assets, adequate records, competent personnel, separation of accountability from physical custodianship, assignment of responsibility, division of work, rotation of personnel and internal audit and review.

5.1.2 These features have been incorporated in the chapters in this Manual that address accounting, budgeting, financial reporting and financial review. There are a number of other financial management practices, however, that have not been addressed in those chapters. The purpose of this chapter is to provide guidelines for specific fund and financial management practices that will contribute to a good system of internal controls for the parish.

5.1.3 The guidelines are arranged by topic and include financial control, receipts, disbursements, compensation and payroll, investments, unrelated business income and restricted funds. The guidelines provided in this section form the basis for much of the internal control questionnaire (Appendix 7-A) used in the formal Archdiocesan financial review.

5.2 Financial Control. The fundamental principle that applies here is that there is one parish, not a lot of little parishes that happen to use the same name. The pastor, priest administrator or parish director is the chief juridic officer of the parish, and (s)he, along with the Finance Council, has the primary responsibility for controlling the parish financial affairs. This requires that affiliated parish organizations be accountable to the parish, and further requires that control of funds be maintained in a way that ensures that accountability. This can be accomplished by using well-established procedures that minimize the vulnerability of parish assets and provide a permanent record of the financial activity.

5.2.1 Financial record keeping is an important part of accountability. In the following sections, various types of records for receipts, disbursements and various authorizations are discussed. In all cases, they have historical value and should be preserved. It is important that each parish have an effective system of record keeping that provides complete documentation for all financial transactions. A double entry bookkeeping system must be employed.

5.2.2 The key records must be preserved and safeguarded. In particular, all accounting records, investments and unused checks should be kept in a locked safe in the parish. Computer records must be backed up regularly, and record retention requirements must be observed for all reports and supporting documentation.

5.3 Accountability of Affiliated Organizations. An "affiliated organization" is any group of parishioners or a group sponsored by parishioners that is participating in the mission of the parish, uses the name of the parish for identification and is not organized separate from the parish. It is specifically sponsored by the parish. All parish affiliated organizations are established in the parish bylaws, or by separate action of the Pastoral Council. Affiliated organizations are accountable to the parish, usually through the Pastoral Council or one of its commissions/committees.

5.3.1 Organizations such as the Home and School Association, Athletic Association, Holy Name Society and the Christian Women Society are usually established as affiliated organizations. Organizations that have their primary affiliation with another organization, such as Boy Scouts or Girl Scouts, Knights of Columbus or St. Vincent de Paul, yet use the parish as a sponsor or for identification are not considered affiliated organizations. Any other group that is not sponsored or authorized by the Pastoral Council is not an affiliated organization.

5.3.2 Affiliated organizations enjoy all of the benefits of the parish including insurance coverage and tax-exempt status. Non-affiliated organizations do not enjoy those benefits.

5.3.3 Affiliated organizations must maintain a full accounting for their activities to the parish. This includes any financial activities in which the organization may engage. Affiliated organizations must maintain books of account for those financial activities using the Parish Uniform Chart of Accounts (Chapter 3).

5.3.4 In addition, affiliated organizations must provide financial reports to the Pastoral Council on a periodic basis as determined by each parish, but must report at least annually for inclusion in the annual parish financial reports.

5.3.5 Affiliated organizations that maintain physical custody of funds must adhere to the internal control practices specified in this chapter.

5.3.6 Each parish shall determine whether any affiliated organizations may maintain separate checking and savings accounts. If so, the parish shall determine the maximum balance that an affiliated organization can carry into a new Fiscal Year as well as the maximum amount that can be carried in the operating fund throughout the year. Funds in excess of that amount shall be transferred to the parish general fund, or to a parish-designated fund.

5.3.7 When an organization maintains its own bank and investment accounts, the original statements must be mailed to the parish mailing address. The pastor must be a signer on all accounts, although he may delegate the actual signing of the checks to officers of the organization. Two original signatures are required on all checks.

5.4 Financial Accounts. It is not uncommon for a parish to have multiple checking accounts, savings accounts and money market fund accounts. Often, however, these accounts have low balances, do not earn interest, and are subject to continuing service charges. Such accounts are often established without the authority and signature of the pastor, priest administrator or parish director. Multiple accounts reduce accountability and lessen the effectiveness of internal controls.

5.4.1 Each parish should reduce the number of financial accounts to a minimum, consolidating the various savings accounts and the various checking accounts into single accounts. Such a consolidation maximizes the earnings on parish funds and provides the highest level of accountability. There are a number of other practical benefits as well.

5.4.2 The use of a single checking account means that the different programs or functions and the different affiliated organizations do not have to maintain separate books of account. All accounting is accomplished through the parish books of account using the program or function code (prefix) to maintain the separate identity of the accounts.

5.4.3 For programs, functions, or affiliated organizations that generate revenue that is designated for use by that activity, separate revenue accounts can be established that preserve the activity's control. The parish (through the Finance Council) will determine maximum revenue account levels as well as carry-over provisions (Section 5.3.6).

5.4.4 Affiliated organizations typically have a periodic rotation of officers, with willing treasurers often lacking the accounting skills needed to maintain effective and accurate books of account. A consolidated account eliminates the necessity for the organizations to maintain those books.

5.4.5 Each parish should periodically survey local financial institutions to determine what accounts have been established in the name of the parish. All such accounts should be verified as being authorized.

5.4.6 The pastor, priest administrator or parish director must be one of the signators on all separate checking accounts, savings accounts, and other financial accounts.

5.5 General Procedures for Receipts. Receipts include all monies received by the parish whether in the form of cash or check. Specific procedures relating to collection

receipts, fund raising receipts and tuition receipts are addressed in separate sections. The following procedures must be followed regardless of the type of receipt.

5.5.1 All receipts must be counted, deposited on a timely basis and recorded in the appropriate parish or school records. If receipts cannot be deposited daily, they must be kept in a locked safe until a bank deposit can be made. No receipts may leave the premises prior to counting unless they are in a tamper evident bag and heading to a night depository. Receipts leaving the premises must be directly in transit to a bank.

5.5.2 Prenumbered receipt forms must be used where issuance of a receipt for monies (cash or other non-traceable form of payment) received is appropriate.

5.5.3 Bank reconciliations must be conducted on a timely basis within two weeks of receipt. Someone independent of other cash functions must open the bank statements and review the activity before the bank reconciliations are prepared. A trustee or member of the Finance Council must review completed reconciliations, paying particular attention to significant, unusual, or recurring reconciling items. The person reviewing the reconciliation must sign and date the paper copy to indicate the review has taken place. Bank reconciliations must be retained for future reference. When bank reconciliations are prepared using the accounting software, a paper copy of the reconciliation report must be printed and retained.

5.5.4 All cash receipts must be summarized and reported to the finance council or other appropriate individuals on a regular basis (at least monthly).

5.6 Collection Receipts Procedures. Collections refer to cash or check contributions received from general parish collections during church services or meetings. The following procedures will help to ensure the integrity of this major source of parish revenue.

5.6.1 Loose cash and envelopes must be collected by ushers during the service and must be taken immediately to a secure location. If the collection basket is placed at the altar as part of a presentation of gifts at the Offertory, two individuals must be assigned to remove this basket after the distribution of communion and take the basket to the secure location. The collection may be counted immediately following the mass, or it may be counted on the first workday after the weekend. The entire unsorted collection must be placed in tamper evident bags and stored in a locked, fireproof safe, or placed in the bank night depository, until it is counted. The collection must remain in view of at least two individuals at all times. A tracking log must be used to document the chain of custody of the tamper evident bags until it is counted.

5.6.2 At least two unrelated people must be present when cash is counted after collections. The countsheets must be signed by the counters.

5.6.3 When counting collections, loose collections must be counted separately from those received in envelopes. This will facilitate the reconciliation of the envelope amount at a later time.

5.6.4 The counters must restrictively endorse ("For Deposit Only in the Account of ____ - ") all checks received in the collections.

5.6.5 As amounts received in envelopes are counted, the amount is recorded on the face of the envelope.

5.6.6 The counters must prepare a deposit slip and all amounts should be deposited in the bank deposit vault immediately after all collections for the day are completed. Any amounts not deposited must be kept in a locked fireproof safe.

5.6.7 Envelopes and count sheets must be forwarded to the parish bookkeeper. The bookkeeper must record the deposit in the parish checkbook or ledgers.

5.6.8 The bookkeeper shall post identifiable contributions (i.e., envelope users) to each parishioner's individual record. The bookkeeper must also reconcile the amounts posted to the envelope amount plus loose collections indicated on the deposit slip.

5.6.9 Individuals performing the counting must be rotated on a regular basis. There should be an odd number of teams consisting of at least two unrelated persons on each team. No team is allowed to count the same week each month.

5.6.10 Periodic statements must be sent to all parishioners listing the contributions made. At a minimum, annual statements must be sent. The contributions must be listed by date and amount on the statements for any payment received in a single day of \$250 or more. The statement must state that no goods or services were received in exchange for the donations.

5.6.11 Collections for others (e.g., Catholic Stewardship Appeal) must be remitted by the specified due date for the particular collection.

5.7 Fund Raising Receipts Procedures. Various fund raising events conducted by parishes generate a substantial part of the parish income. These events often involve large amounts of cash and can represent moments of high vulnerability. Specific procedures for large fund raisers must be documented in writing to ensure all participants understand their roles and fund raisers remain successful upon change of leadership. The following procedures must be followed by all persons involved in parish fund raising activities.

5.7.1 During fund raising events, the parish must appoint two individuals to control and frequently collect all cash receipts. Similar to collections, all cash must be taken

to a secure location for counting. Large amounts of cash must not be left to accumulate for a long period of time.

5.7.2 At least two unrelated people must be present when cash is counted. Signed countsheets or logs of those present must be maintained.

5.7.3 The counters must restrictively endorse ("For Deposit Only in the Account of _____") all checks received.

5.7.4 All amounts received must be deposited in the bank deposit vault as soon as possible after the event. Where large amounts are involved, periodic deposits must be made during the event. A copy of the deposit slip(s) must be given to the bookkeeper. Any amounts not deposited shall be kept in a locked fireproof safe.

5.7.5 The bookkeeper must record the deposit in the checkbook or parish ledger.

5.7.6 The parish is responsible for obtaining all licenses and permits (e.g., Bingo, raffle, liquor licenses) for all parish activities, and for filing all required reports and tax returns related to these activities. Copies of all reports that are completed and submitted by volunteers must be reviewed for accuracy and timeliness and retained in the parish office.

5.7.7 No expenses shall be paid directly from the cash receipts of an event or fundraiser.

5.8 Tuition Receipts Procedures. The following procedures regarding the handling of tuition receipts must be followed.

5.8.1 All tuition must be received at one location by one or two designated individuals.

5.8.2 Prenumbered receipts (for cash payments) or a printed statement must be issued for all tuition collections. A copy of each receipt must be maintained by the parish or school.

5.8.3 Checks must be restrictively endorsed immediately upon receipt. All amounts should be deposited in the bank account on a daily basis. A copy of the deposit slip must be given to the bookkeeper, and the bookkeeper must record the amount in the checkbook or appropriate ledger.

5.8.4 A separate record must be maintained for each student indicating the total tuition charged, the date and amount of each tuition payment and the remaining balance due. The amounts due shown on each record must be totaled at the end of each month and recorded on the school's financial statements as "Tuition Receivable."

5.8.5 Appropriate written criteria and procedures must be established for following up on past due tuition and responsibility for such follow-up must be clearly designated.

5.9 Procedures for Disbursements. While it is important to safeguard all receipts for the parish, it is equally important to ensure that disbursements are made for legitimate parish purposes. The following procedures must be followed to establish that legitimacy.

5.9.1 Parishes must designate individuals who are authorized to order supplies and place orders on the parish's behalf, including contracts for maintenance, repairs and construction.

5.9.2 Before authorizing expenditures, the parish budget must be reviewed to ensure that the expenditure had been budgeted.

5.9.3 Receipts, invoices and other support for all disbursements must be maintained on file in an orderly manner. Detailed receipts are required as support for all summary invoices and credit card bills. Recurring payments must be supported by documentation for each check written. Requests for reimbursement, including priest's professional allowance, must be accompanied by detailed receipts.

5.9.4 Before approving payment, the delivery of goods or services must be verified, and the invoice reviewed for mathematical accuracy. The proper account to be charged should also be included on the invoice. Approval must be evidenced by signature or initials on the invoice, or a completed check request with similar information attached to the invoice. Sales taxes must be adjusted off the bill before payment is made.

5.9.5 Purchase discounts shall be used whenever possible. Invoices shall be processed to take advantage of early payment discounts where available. Payments must be scheduled so that late payment charges are never incurred.

5.9.6 After invoices have been properly approved by those individuals designated to perform this function, the checks are prepared by the bookkeeper with the appropriate supporting documentation or invoices attached and given to the authorized signators for their review and signature. Prenumbered checks must be used for all disbursements (other than those made through petty cash funds).

5.9.7 Two original signatures are required on all disbursements. In most cases, the first signature is that of the person who is functioning as treasurer. The pastor, priest administrator or parish director will be the second signer, and must review all support for the disbursement prior to signing. This prevents fraudulent check writing and makes the pastor, priest administrator or parish director more aware of where the

monies are being spent. The parish bookkeeper or business manager may never be a check signer. Under no circumstance shall the check be returned to the bookkeeper for mailing.

5.9.8 Under no circumstances shall blank checks be presigned by one of the signators, nor shall a rubber stamp be used for signature.

5.9.9 All disbursements must be recorded in the checkbook or ledgers promptly.

5.9.10 Once paid, all receipts, invoices, etc., must be marked paid, with date and check number identified to assure that such items are not paid twice by mistake.

5.9.11 All disbursements for extraordinary expenditures of funds that will exceed the ceiling figure for the parish must have a proxy signed by the Archbishop and Vicar General before the disbursement can be made. The ceiling figure is determined annually based on the lesser of \$30,000 or four percent of the parish's previous year revenue. The proxy requirement applies for each project where total disbursements exceed the ceiling figure.

5.9.12 All disbursements must be summarized and reported to the finance council or other appropriate individuals on a regular basis (at least monthly).

5.10 Petty Cash Fund Procedures. A petty cash fund provides an amount of cash set aside for the purpose of making immediate small expenditures such as freight or postage, which, if paid by check, would cause delay, annoyance and excessive expense of maintaining additional records.

5.10.1 A petty cash fund may be established by a parish. Separate petty cash funds may be established for various functions such as the bookstore, cafeteria, parish office or school office.

5.10.2 A petty cash fund must be established with a definite amount of cash. Limits may be established for individual disbursements as well. A single person must be designated as the cashier for a given petty cash fund. The cashier assumes full responsibility for the operation of the fund.

5.10.3 Disbursements from the petty cash fund must meet the same documentation requirements as any other disbursements that would normally be paid by check. Vouchers are used to support each disbursement.

5.10.4 The fund must be reimbursed periodically for the exact amount of the vouchers so as to restore it to its original sum. When reimbursed, the vouchers must be given to the bookkeeper for posting to the proper expense accounts.

5.10.5 Revenues from any activities such as the sale of supplies or tickets shall not be deposited to any petty cash funds not shall the fund be used to cash checks.

5.11 Compensation and Payroll Procedures. The proper recording and maintenance of payroll records is important not only for insuring that employees receive their just compensation and for determining the costs of parish operations, they are also required for federal and state tax purposes.

5.11.1 The Internal Revenue Service defines an employee as "anyone who performs services subject to the will and control of the employer both as to what shall be done and how it shall be done" and receives some type of remuneration for such services. The parish will generally employ two types of individuals: clergy and lay employees. Generally, clergy are not subject to social security taxes or income tax withholding, while lay employees will usually be subject to these provisions. Members of religious orders are not compensated individually. Rather, compensation for individual services is provided to the administration of the religious order.

5.11.2 Each parish must have a payroll system that records current period earnings, by employee; quarterly and annual earnings, by employee; and current, quarterly, and annual totals for taxes withheld from all employees. Various payroll services are available to assist in the preparation of payroll checks and the various reports required.

5.11.3 Salaries and other compensation for individual parish employees must be approved by the Finance Council, or other appropriate party and documented in the minutes of the related meeting. Persons responsible for this approval must be familiar with the provisions of the several salary plans for clergy and lay employees in the Archdiocese of Milwaukee. Compensation levels should be determined using the fiscal parameters established at the beginning of the budget process (see section 4.5). The percentage or level of increase or decrease from previous levels and the resultant total dollar amount in salary should also be documented in the minutes. While salary levels are approved at a general level by the Finance Council, the sensitive nature of salary information requires that individual salary information not be disclosed in that public forum. This will provide adequate support for the amounts being paid. For schools, the teachers' contracts provide the support.

5.11.3.1 Employment and Professional Service Contracts: Teacher and School Principal contracts of one year in duration are always allowed and constitute a standard operating procedure of parish and collaborative schools. For all other parish and school staff positions, the standard operating procedure is employment "at will" and the use of an employment contract is strongly discouraged. In the event that a parish feels that an employment contract is absolutely necessary to attract and/or retain a key employee, the following procedure will be used:

Employment and professional service contracts require a two step approval process which must be completed prior to the execution of the contract with the employee or firm. The parish is first required to have the proposed contract and its terms reviewed by the Archdiocese Department of Parish and School Personnel. If necessary, the Archdiocese may also refer the contract to an approved employment law attorney for further review and revision. Any legal expenses incurred will be the responsibility of the parish. All guidance provided by both the Archdiocese and the employment law attorney must be followed by the parish.

The contract must then be approved by the parish Administrative Services / Finance Committee (or Personnel Committee). The minutes of the related meeting must indicate that the contract has been reviewed by the Archdiocese, that the committee has approved all compensation referenced in the contract, and that the committee has given full consideration to the parish's ability to meet its financial obligations under the contract. The approved employment or professional service contract must then be signed and dated by the pastor / priest administrator / parish director and the trustee treasurer prior to its execution with the employee or firm.

A copy of the employment or professional service contract (signed by all parties) must be maintained in the employee personnel or applicable vendor file at all times. Under no circumstances should a parish ever execute an employment or professional service contract for a period of longer than one year.

5.11.4 For part time or other employees paid on an hourly basis, some type of time report must be prepared by those individuals and approved by their supervisors. Paychecks should only be made out after this approved time report is received.

5.11.5 The regular payroll must be reviewed by someone independent of the preparation prior to the issuance of payroll checks. The purpose of this review is to ensure that it has been prepared properly and is reasonable in light of parish and school operations. That person must also follow up on a regular basis to ensure that withholding taxes are properly paid to the appropriate taxing authorities. All payroll payments must be made by prenumbered checks or by secure direct deposit.

5.11.6 Parishes are responsible for withholding federal and state income taxes and FICA (social security) tax from certain employees. In addition, parishes are responsible for the employer's portion of the FICA tax. Periodic reports and payments are required from parishes. A tickler system should be established to ensure that those reports and payments are made on a timely basis.

5.11.7 All eligible lay employees must participate in the Archdiocesan Lay Employee Retirement Plan with the parish providing timely contributions. Since parish employees are not covered under governmental unemployment programs, each parish is encouraged to participate in the "Church Unemployment Pay Program" for each eligible employee. Parishes may offer participation in various health insurance programs as part of the total employee compensation. Archdiocesan policy requires that parishes pay at least 85% of the cost of the health insurance premium for single coverage and 70% of the cost for family coverage.

5.11.8 Contribution to pension plan for all diocesan priests:

1. In keeping with the salary reduction agreement, mandatory payments to the pension plan are calculated in accord with a uniform reduction scale based on years of service for all priests.
2. These pension payments are a personal contribution from each priest; it is an injustice for a parish or other paying unit to contribute this amount from monies other than from those withheld from a priest's monthly salary. The payment in any other manner would result in serious tax ramifications.
3. An annual statement is sent to each priest to remind him of how much he owes to the pension plan; care should be taken that the paying unit does not double pay. The priest's portion of his pension is deducted from his pay, pre-tax, by the employing entity and remitted accordingly. If the priest changes assignments, the new employing entity will withhold his pension contribution and remit it accordingly.
4. All parishes or employing units are assessed annually for the employer's share of the pension plan, which is equal to the priest's share (see worksheet 4), and which is distinct from the priests' personal contribution through salary reduction. The parish or institution where the priest is assigned on or effective July 1 is responsible for the entire annual contribution for the employer's share to the pension plan.

For religious priests assigned to parishes:

1. Religious Order Priests serving as pastors or associate pastors in parishes within the archdiocese are eligible for retirement benefits from parish funds.
2. Each parish staffed by Religious Order Priests will be responsible for an annual retirement contribution based on the statement mailed to the parish. The contribution is determined by the Archdiocese and is the equivalent to that provided for diocesan priests.
3. This retirement contribution shall be forwarded by the parish to the provincial headquarters of the respective religious community. A list of the priests and the amount contributed for each should accompany the contribution.

5.11.9 Employees may choose to participate in a tax sheltered annuity program. If a parish enters into a formal written contract with any one of its employees whereby such employee agrees to take a reduction in the salary previously agreed upon, such amount of reduction may be remitted to an authorized TSA program of the employee's choice to pay the premium of a "Tax Sheltered Annuity." The Internal Revenue Service outlines the conditions which **MUST** be met by the parties to the

contract in order to eliminate this part of the employee's compensation from income tax (the payment is not exempt from social security tax). One of the I.R.S. requirements is that the employer treat the payment on his books as a payment of a fringe benefit and NOT as salaries or wages. The payment resulting from the reduction from the priests' salary and paid to the Priests' Pension Plan is considered such a fringe benefit. (See account XX-4070 in the Parish Uniform Chart of Accounts).

5.12 Investment Procedures. Stewardship demands that, among other things, parish administrators use their available talents to provide the necessary financial support to accomplish the parish's mission. Investment of parish resources in revenue producing instruments supports that responsibility. In making such investments, administrators are cautioned to be prudent and consider the risk of the investment as well as be aware of the socio-economic implications of possible investments. The following guidelines are intended for administrative support.

5.12.1 Any excess cash balances should be maintained in an interest-bearing, government insured financial account. The Southeastern Wisconsin Catholic Parish Investment Management Trust and the Archdiocese of Milwaukee Catholic Community Foundation are excellent vehicles for longer-term investment funds. For information on the latter, contact the Department for Finance and Administration.

5.12.2 All savings accounts and money market accounts must be updated quarterly.

5.12.3 The parish must maintain a schedule of investments and other assets that are movable and valuable.

5.12.4 Records of financial investments must be kept in a locked fireproof safe, or preferably, in a safe-deposit box at a financial institution.

5.12.5 All such assets and investments must be maintained under dual control, allowing access to them only when two or more individuals are present.

5.12.6 All registered securities, stocks, bonds, or notes must be registered in the name of the parish.

5.12.7 Each parish must establish its own detailed investment guidelines based on established archdiocesan policy and implement proper controls and oversight to ensure the guidelines are followed.

5.12.8 The market value of all assets and investments must be determined at least annually and reported to the Finance Council for inclusion in the parish's financial statements.

5.13 Fixed Assets Procedures. In addition to accounting for other assets and financial transactions, parishes must account for their fixed assets. These include items such as land, improvements, building equipment, furniture, tools and fixtures that have a useful life over many accounting periods.

5.13.1 Fixed assets in the Archdiocese of Milwaukee include all tangible property and real estate that cost more than \$500.00 and have a useful life of two years or more.

5.13.2 Each parish should maintain a fixed asset record that includes the following information for each asset:

- Item description
- Manufacturer serial number
- Physical location
- Custodian
- Purchased/received from
- Purchase/donation date
- Purchase price/fair value at donation
- Estimated life
- Estimated salvage value.

5.13.3 A periodic inventory of all fixed assets should be conducted not less than every three years.

5.13.4 All titles and property records must be maintained in a safe place.

5.14 Cemeteries Procedures. The guidelines for receipts and disbursements described elsewhere in this chapter apply to the maintenance and operation of cemeteries as well. In addition, the following guidelines must be followed.

5.14.1 Cemetery records (Perpetual Care, Lots, etc.) should be maintained in the cemetery office or in the parish office.

5.14.2 Records should be stored in a fireproof safe. Duplicate records must be kept at a separate location and reconciled to each other at least annually.

5.15 Restricted Funds Procedures. Restricted funds include amounts specified in writing by a donor to be used for a specific purpose. The donor specifies the nature of the restriction, including the purpose for which the funds may be used and whether both the principal and the interest may be used for that purpose. Those funds where the donor stipulated that the principal be invested and maintained intact and in perpetuity, with only the income earned from the investments being available for use, are called endowment

funds. The guidelines for receipts and disbursements described in this chapter apply to these funds as appropriate. The following guidelines address the nature of the restrictions.

5.15.1 Each restricted fund must have complete documentation as to the nature of the restriction. Copies of wills, bequests, letters of instruction or other instruments specifying the restriction must be maintained in a safe place.

5.15.2 The person administering each restricted fund must prepare an annual report to the Pastoral Council summarizing the fund activity during the past Fiscal Year. This report must identify any current or future problems with complying with the intent of the donor.

6.0 FINANCIAL REPORTING GUIDELINES AND PROCEDURES

6.1 Introduction. A key to effective management of any organization is the timely dissemination of relevant information to the correct users. This is particularly true with regard to financial management in a parish. The key words in that management principle are timely, relevant, and correct. The parish has to identify which persons in parish administration need financial data, what data they need, and when they need it.

6.2 Scope. This Chapter provides guidance on how to construct various kinds of financial reports that provide for basic accountability to the parishioners, and how to prepare the required summary accountability reports to the Archdiocese. In addition, other types of financial reports that assist in controlling operations are presented with suggestions as to how they can be used in parish financial management. All of these reports are based on the principles established in the Parish Uniform Chart of Accounts, and also support the parish budgeting functions. Except for the Confidential Financial Statement, the format of the reports produced for parish use will be largely determined by the accounting software used. The reports shown in Appendix 6 are intended to be examples of each type of report, and not requirements for their appearance. Parish reports must be easily reconcilable to the Confidential Financial Statement.

6.3 Policy. In order to achieve the goal of consistent parish financial accountability, each parish in the Archdiocese of Milwaukee must submit a Confidential Financial Statement as described in this chapter at the end of each fiscal year. The Confidential Financial Statement requests that data be provided by department or program. At a minimum, parishes that operate a parish school must also include school as a part of that financial report. As a part of the Confidential Financial Statement, each parish also submits an Archdiocesan Assessment Form that is the basis for calculating the billed assessment amount for the following fiscal year.

6.4 Financial Reporting for Accountability. While there is some overlap between the accountability and the management (operations control) areas, the basic reason for the accountability reports is to provide evidence to the parishioners, the Finance Council, and the Archbishop that the parish is being operated in a financially responsible manner. The timing of these reports is as different as the level of detail that should be provided for the different users. These accountability reports are directed to the parishioners themselves, to the Finance Council, and to the Archdiocese.

6.5 Parishioner Financial Reporting. The amount of detail to be provided to parishioners varies from parish to parish as does the frequency with which the information is provided. As a general rule, the more frequent the report to the parishioners, the less comprehensive is the data that is provided. Most parishioners prefer brief summary data and do not bother to read more detailed financial reports.

6.5.1 Many parishes find it useful to provide weekly information to parishioners on revenues, indicating the revenue received and the revenue that had been

anticipated in the budget. The assumption is that there is a balanced budget, and the implication then is that if revenues are less than anticipated, the parish won't be able to meet its obligations. An obvious additional reason for presenting these data when the actual revenues are less than anticipated is to encourage parishioners to increase their contributions. This kind of report is often included in the parish bulletin and has the following format.

	Actual	Anticipated	Over/(Under)
Last Week	X	Y	X minus Y
Year to date	W	Z	W minus Z

6.5.2 In addition to the simple revenue report, parishes may choose to provide other interim reports, perhaps monthly or quarterly, that summarize revenues and expenses. Depending on the amount of information provided, this can be included as a brief paragraph in the bulletin or as a separate insert. The basis for this kind of report is the interest of the parishioners, or the interest of the parish leaders to make sure the parishioners are aware of the parish's financial condition.

6.5.3 The major financial report to the parish is the year end financial report. This report is a comprehensive summary of the past year's financial activity. There are two major components to this report: the balance sheet, and the statement of activity.

6.5.3.1 The balance sheet summarizes the assets, liabilities, and fund balances or equities of the parish. It is often called a statement of financial condition. While the balance sheet must address the financial condition as of the end of the Fiscal Year (June 30), a parish may wish to include a comparison column for the previous year. Most entries on the balance sheet are straightforward. The value of plant and property is usually included under fixed assets. The unencumbered value of the plant and property is usually included in the (unrestricted) general fund, but can be included as equity or in a separate plant and property fund if fund accounting procedures are followed. A simple balance sheet is included in Appendix 6-A.

6.5.3.2 The statement of activity might carry a different title, such as statement of support, revenues, expenses, and changes in fund balances; or statement of receipts, expenditures, and transfers. It includes the parish financial activities for the period, and is used for reconciling the beginning and ending fund balances and equities. The revenues section includes all parish revenues with a rough breakdown by category. There are several ways to display the expenses. One way is to indicate expenses by account categories. This is a more traditional approach. A second way is to list expenses by program. This provides meaningful feedback related to the mission of the parish. It is more common to include previous year and budget comparisons for the revenues and expenses. Examples are

illustrated in Appendix 6-B.

6.5.3.3 Any data on the balance sheet or the statement of activity that is not clearly described by the titles or accounts used should be disclosed in notes to the financial statements. This might include special restricted funds or other items that would otherwise fall in a more general category.

6.6 Finance Council Reporting. A full detailed accounting of the financial condition of the parish and the financial activity during the past fiscal year is prepared for the Finance Council at the end of the fiscal year. In practice, a summary report, similar to that described in Section 6.5.3, may be what is presented, but a detailed report is made available for review.

6.6.1 The detailed parish financial statements are an expanded version of the summary reports presented in Section 6.5.3. There is a balance sheet or statement of financial condition, and a statement of activity or statement of receipts and expenditures (or similarly named statement). The detailed parish financial statements will parallel the budget preparation forms in format.

6.6.2 A detailed balance sheet is always prepared for the entire parish. The parish may also require that the balance sheet provide information about receivables, payables, bank account balances and fund balances for individual programs, or at least selected programs such as the school. A sample detailed balance sheet is illustrated in Appendix 6-C. All cash and investments listed as assets should be supported in a separate schedule as should all long-term liabilities. The balance sheet can be enhanced for management use by including the previous year's amounts to permit casual comparison of various types of assets and liabilities.

6.6.3 The detailed statement of activity is be prepared for the entire parish. If expenditures are listed by program, then the summary report provides most of the information unless selected account codes (or aggregates) are listed under each program. The more traditional way is to use a layered approach where a separate statement of activity is prepared for each program, and then combined to prepare the parish report. Again, for management purposes, it may be useful to include previous year's activity as well as budgeted amounts for the various revenue and expenditure accounts. A sample detailed statement of activity is included in Appendix 6-D.

6.6.4 The statement of activity should conclude with a report on the change in fund positions from the beginning of the fiscal year to the end of the year. All specialized funds should be included here. The changes in fund balances must be supported by activity recorded in the current year.

6.6.5 It is essential that any irregularities, major changes, or special activity that may not be clear from the account codes be explained in notes attached to the detailed financial report.

6.7 Archdiocesan Reporting. In exercising his role under civil law as a member of the Board of Directors of each parish corporation and under canon law establishing his financial direction of all activities in the Archdiocese, the Archbishop requires each parish to submit an annual financial reporting form at the end of each fiscal year. The Confidential Financial Statement includes the Archdiocesan Assessment Form.

6.7.1 The Confidential Financial Statement creates a modified balance sheet and statement of activity that is slightly more detailed than the parishioner summary report and far less detailed than the detailed parish financial report. Note that this Archdiocesan reporting form would also serve well as the annual report to parishioners.

6.7.1.1 The completed Confidential Financial Statement is to be submitted to the Office of Parish and School Financial Services as soon as possible after the end of the fiscal year, and no later than September 15 following the end of that fiscal year.

6.7.1.2 The Confidential Financial Statement is to be completed for the entire parish, including its affiliated organizations. Data is entered by accounting classification and department/program to produce total statements for the parish and supplemental reports for school and other ministries.

6.7.1.3 The Office of Parish and School Financial Services will review the report in accordance with the procedures in Chapter 7 of this Manual.

6.7.1.4 A sample copy of the Confidential Financial Statement is included in Appendix 6-E. The form to be used by parishes is posted to the Archdiocesan website each year in July.

6.7.2 The current "Archdiocesan Assessment" evolved from an assessment known as the "Cathedraticum." Based in Canon Law, it grew out of a right and need of the bishop to be supported in the work he inaugurates or approves. The term "Cathedraticum" was dropped in the Archdiocese of Milwaukee in 1981 in favor of the term "Archdiocesan Assessment."

6.7.2.1 The assessment formula uses the parish financial data to determine a net assessable income, and then determines the amount of the assessment by applying a specified percentage to the assessable income. The assessment formula considers all sources of operating income except collections for others (Account XX-3070). A direct credit of ten percent of the parish long term debt and a credit for support of a parish elementary school are applied against this total income to arrive at the net assessable income. The elementary school credit is not granted if the parish does not record the school revenue.

6.7.2.2 The completed Archdiocesan Assessment Form is submitted to the Office of Parish and School Financial Services as a part of the Confidential Financial Statement no later than September 15 following the end of that fiscal year. Assessment bills are prepared from the information that is submitted.

6.7.2.3 Payment of the Archdiocesan Assessment is due in four equal installments on September 1, December 1, March 1, and June 1 following the end of the fiscal year for which the assessment is calculated. Other payment schedules may be developed on a case-by-case basis with the approval of the Office of Finance and Administrative Services.

6.7.2.4 A sample of the Archdiocesan Assessment Form is included in Appendix 6-F.

6.8 Financial Reporting for Management and Control of Operations. The reports described in Sections 6.5 to 6.7 may be useful for general management purposes. However, most of the reports are annual reports and are prepared after the fiscal year is over and the books of account are closed. For the most part, they provide little help in controlling daily operations within the parish. The monthly or quarterly reports to parishioners do provide more timely information, but it is highly aggregated and still provides little help for ongoing management and control. Management is usually concerned with two problems simultaneously, maintaining a positive cash flow on a continuous basis, and ensuring that the annual budget is complied with. Thus, some sort of meaningful, periodic financial reporting is needed.

6.8.1 Financial reports against the budget are very useful for controlling operations.

The revenues and expenses that have occurred for the reporting period are compared with those budgeted for the period. Most parishes find that monthly reports are sufficient for most programs or functions in the parish. The level of detail used depends on the management needs of the Parish.

6.8.2 A revenue summary report may not be relevant for most programs. The possible exception is the school where close monitoring of the payment of tuition and fees is essential. An overall revenue summary report is very valuable for the pastor/priest administrator and those parish members responsible for financial administration.

6.8.3 An expense summary report, on the other hand, is important for most programs. When a program has exceeded its budget, there is a reason for management concern. When a program is far below its budgeted expenditures, there may be excess resources available for reprogramming. The periodic expense summary report permits parish management to react to the exceptions on a timely

basis. The simplest report would include the four expense categories. If there were particular expense account codes of interest, they could be identified as well. For example, the parish may want to review and follow utility costs separate from the other expense accounts in the building and grounds category.

6.8.4 If a summary report compares actual figures with budgeted ones, then the budget must have the capability of describing the budget for that time period. In addition, the budgeted amount for the time period should be the authorized expenditure level for the given program for that period. Purchases should not be authorized beyond the budgeted level.

6.8.5 Section 4.5 of this Manual discusses budgeting on a monthly or quarterly basis, and provides worksheets to accomplish this. If the budget is prepared on that basis, those budgeted figures can be used directly in the revenue and expense summary reports. Otherwise, some adjustment has to be made to the annual budget figures to estimate monthly or quarterly budgets. The easiest approach is to divide the annual budget by twelve to get an estimate of the monthly amount. This may work well in some programs but be far off in others due to the seasonal nature of some of the parish programs. Some intermediate approach between monthly budgeting and the method of using one-twelfth of the annual budget may be appropriate for estimating the appropriate monthly budget. In any case, someone familiar with both the budget and actual expenditures should analyze the variances each month and provide an explanation of significant differences.

6.8.6 If the parish chooses to limit the authorized expenditures for a given program in a given period (e.g., monthly, quarterly), a separate budget authorization report needs to be prepared. One report covering all programs would be sufficient.

6.8.7 These different reports can take on a wide variety of formats. As a general rule, simpler reports tend to be used more. A sample Monthly Expense Summary Report is illustrated in Appendix 6-G. It illustrates monthly and cumulative year-to-date financial information. If the expenditure authorization was on a quarterly basis, then quarterly figures should be included as well.

Appendix 6-A. Sample Summary Balance Sheet

(Parish Name)

Statement of Financial Condition MM/DD/YY

ASSETS

Current Assets

Cash in Bank
Savings Accounts
Investments (at cost)
Receivables
Prepays
Inventories

Plant and Property

Fixed Assets

Other Assets

Total Assets

LIABILITIES

Current Liabilities
Current Maturity of Long-term Debt
Deferred Revenue
Long-term Liabilities

Total Liabilities

NET ASSETS

Restricted Fund Balances
Unrestricted Fund Balances

Total Fund Balances

Total Liabilities and Fund Balances

Appendix 6-B. Sample Statement of Activity
Summary Statement of Activity (by Accounting Classification)

(Parish Name)

Statement of Receipts and Expenditures
For the Period Ended MM/DD/YY

RECEIPTS

Contributions _____
Tuition and Program Fees _____
Contributed Services _____
Rentals _____
Other Revenues _____
Fund Raising and Activity Events _____

Total Receipts _____

EXPENDITURES

Salaries and Benefits Paid _____
Supplies and Purchased Services _____
Building and Ground Expenses ... _____
Other Expenses _____

Total Expenditures _____

Excess (Shortage) of Receipts over (under) Expenditures _____

CHANGES IN FINANCIAL POSITION

Cash Provided

Excess of Receipts over Expenditures _____
Other--Borrowing _____
Total Cash Provided _____

Cash Applied/Transferred

Capital Addition ... _____
Debt Reduction _____
Temporary Investments ... _____
Total _____

Cash Report

Net Increase (Decrease) in Cash .. _____
Beginning Cash Balance .. _____
Ending Cash Balance _____

Summary Statement of Activity (by Programs)

(Parish Name)

Statement of Revenues and Expenses For the Period Ended MM/DD/YY

REVENUES

Contributions _____
Tuition and Program Fees. _____
Contributed Services..... _____
Rentals _____
Other Revenues..... _____
Fund Raising and Activity Events _____

Total Revenues _____

EXPENSES

Sacramental Life and Worship _____
Christian Formation _____
Social Ministry..... _____
Administrative _____
Building and Grounds..... _____
Other _____

Total Expenses _____

Excess (Shortage) of Revenues over (under) Expenses..... _____

CHANGES IN FINANCIAL POSITION

Cash Provided

Excess of Revenues over Expenses _____
Other--Borrowing _____
Total Cash Provided _____

Cash Applied/Transferred

Capital Addition.... _____
Debt Reduction _____
Temporary Investments _____
Total _____

Cash Report

Net Increase (Decrease) in Cash .. _____
Beginning Cash Balance .. _____
Ending Cash Balance _____

Appendix 6-C. Detailed Balance Sheet

(Parish Name)

Statement of Financial Condition For the Period Ended MM/DD/YY

ASSETS

Current Assets

1000 Cash (Schedule A)

1010 Cash in Bank - General

1020 Cash in Bank - Payroll

1030 Petty Cash

1070 Savings Accounts

1100 Receivables

1110 Accounts Receivable - Tuition and Fees

1120 Provision of Doubtful Accounts

1140 Accounts Receivable – Miscellaneous

1160 Notes Receivable

Total Assets

LIABILITIES

2000 Current Liabilities

2010 Exchange Account (Accommodation)

2020 Accounts Payable

2030 Federal Withholding Taxes Payable

2040 FICA Taxes Payable

2050 State Withholding Taxes Payable

2060 Accrued Payroll

2080 Accrued Interest Payable

2090 Other Current Liabilities

Total Liabilities

NET ASSET BALANCES

2800 Restricted Net Asset Balances

2810 Scholarship Fund

2820 Endowment Fund

2890 Other Restricted Funds

2900 Unrestricted Net Asset Balances

2910 General Fund

2920 Parish-Designated Funds

Total Net Asset Balances

Total Liabilities and Net Asset Balances Assets

Schedule A. Cash Accounts

Checking Accounts:

Bank	Acct. No.	Balance @ 6/30/xx

Savings, Certificates of Deposit, Money Market Funds:

Schedule B. Investments

List separately the type and cost of all investments owned by the parish as of the ending date of this report. For bonds, include interest rates and maturity date.

No. of Shares	Face Amount	Description	Int. Rate	Cost

Schedule C. Long-Term Liabilities

List the name of the financial institution, interest rate, balance at the beginning and end of period covered by this report, and borrowings and payments made during this period.

Institution	Interest Rate	Previous Balance	Borrowings	Payments	Balance @ 6/30/xx

Appendix 6-D. Detailed Statement of Activity (Accounts Basis) and Change in Financial Position

(Parish Name)

(Program/Department)

STATEMENT OF RECEIPTS AND EXPENDITURES

RECEIPTS

Line	Acct No.	Account	<u>Previous Fiscal Year</u>		<u>Current Fiscal Year</u>	
			Budget	Actual	Budget	Actual
1	3000	Contributions, General				
2	3010	Weekly Envelopes for Parish Support				
3	3020	Offertory Collection				
4	3030	Special Parish Collections				
5	3040	Vigil Lights				
6	3050	Bequests				

13 TOTAL CONTRIBUTIONS (Lines 1 to 12)

14	3100	Tuition and Program Fees, General
15	3110	Tuition
16	3120	Registration
17	3130	Book and Supply Fees

57 TOTAL REVENUES (Lines 13+22+27+32+48+56)

EXPENDITURES

58	4000	Salaries and Benefits Paid, General
59	4010	Salaries
60	4020	Salaries and Benefits Contributed
61	4030	Unemployment Tax
62	4040	Employer's Portion of FICA Tax

72 TOTAL SALARIES AND BENEFITS PAID (Lines 58 to 71)

73	4200	Supplies and Purchased Services Costs, General
74	4210	Supplies
75	4220	Postage

86 TOTAL SUPPLIES AND PURCHASED SERVICES COSTS (Lines 73 to 85)

123 TOTAL EXPENSES (Lines 72+86+101+122)

Excess (Shortage) of Receipts over (under) Expenditures

Appendix 6-E. Confidential Financial Statement

PARISH CODE:

Parish Name
Parish Address
CONFIDENTIAL FINANCIAL STATEMENT
BALANCE SHEET
FOR THE FISCAL YEAR ENDING
JUNE 30, XXXX

ASSETS

Cash in Bank(s)-Gen'l	
Cash in Bank(s)-Payroll	
Petty Cash	
Savings Account(s)	
TOTAL CASH	

Accounts Receivable	
Other Receivables	
TOTAL RECEIVABLES	

1200 Prepays	
1300 Inventories	

Unrestricted Investments:	
Short-term Investments	
Long-term Investments	
Real Estate	
TOTAL UNRESTRICTED INVESTMENTS	

TOTAL FIXED ASSETS	
---------------------------	--

Investments - Restricted	
---------------------------------	--

Cemetery Assets	
------------------------	--

TOTAL ALL ASSETS (1010-1990)	
-------------------------------------	--

LIABILITIES

Total Current Liabilities	
Prepaid Tuition & Fees	
TOTAL CURRENT LIABILITIES	

Long-Term Liabilities	
Mortgage Notes Payable	
TOTAL LONG-TERM LIABILITIES	

TOTAL LIABILITIES (2000-2700)	
--------------------------------------	--

NET ASSETS

2800 Restricted Net Assets:

Cemetery	
Endowment Fund	
All Other Restricted	
TOTAL RESTRICTED NET ASSETS	

2900 Unrestricted Net Assets:

General Fund	
Parish Designated	
Fixed Assets Fund Bal	

TOTAL UNRESTRICTED NET ASSETS	
--------------------------------------	--

TOTAL NET ASSETS (2800-2900)	
-------------------------------------	--

TOTAL LIABILITIES AND NET ASSETS (2000-2900)	
---	--

PREPARED BY:

PASTOR/PARISH DIRECTOR:

PARISH CODE:

Parish Name

Parish Address

**CONFIDENTIAL FINANCIAL STATEMENT
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDING
JUNE 30, XXXX**

Acct. No.	REVENUES	Operating	Restricted
1	3010/3020 Weekly envelopes and offertory collection.....	_____	_____
2	3000 Contributions (excluding 3010,3020,3030 and 3070).....	_____	_____
3	3030 Special collections	_____	_____
4	3100 Tuition and Program Fees	_____	_____
5	3200 Contributed Services (See Manual-chapter3-E-4).....	_____	_____
6	3300 Rental Income	_____	_____
7	3400/3500 Other Revenue (excluding 3510 and 3520)	_____	_____
8	3600 Fund Raising and Activity Events	_____	_____
9	TOTAL OPERATING REVENUES (Line 1 to 8)	_____	_____
EXPENSES			
10	4010 Salaries	_____	_____
11	4020/4190 Salary Related Benefits	_____	_____
12	4000/4190 Total Salaries & Benefits (Line 10+11)	_____	_____
13	4200/4300 Supplies & Purchased Services Costs	_____	_____
14	4400/4500 Building & Grounds Expenses	_____	_____
15	4600/4700 Other Expenses (excluding 4650 and 4690)	_____	_____
16	Support of other elementary schools.....	_____	_____
17	Support of secondary schools	_____	_____
18	TOTAL OPERATING EXPENSES (Line 10 to 17)	_____	_____
19	OPERATING GAIN (LOSS) (Line 9 - Line 18)	_____	_____
Add: OTHER RECEIPTS			
20	3510 Proceeds from borrowing.....	_____	_____
21	3520 Proceeds from Sale of Assets	_____	_____
22	3070 Special Collections for Others	_____	_____
23	Dept. 92 Total Cemetery receipts	_____	_____
25	TOTAL OTHER RECEIPTS (Line 20 to 24).....	_____	_____
Deduct: OTHER DISBURSEMENTS			
26	4650 Debt Repayment	_____	_____
27	4690 Transfer of Special Collections for Others	_____	_____
28	4740 Capital Expenditures	_____	_____
29	Dept. 92 Total Cemetery disbursements	_____	_____
31	TOTAL OTHER DISBURSEMENTS (Line 26 to 30).....	_____	_____
32	CURRENT YEAR INCR (DECR)	_____	_____

Appendix 6-F. Archdiocesan Assessment Form

Parish Name
Parish Address

ARCHDIOCESAN ASSESSMENT FORM Payable During Fiscal Year XXXX-XXXX

PARISH: _____ PARISH CODE: _____

ADDRESS: _____

CITY: _____

PERSON PREPARING THIS REPORT: _____

PASTOR/PARISH DIRECTOR: _____

1. Gross receipts, fiscal year ended June 30, XXXX.....
(from Statement of Receipts Disbursements, line 9) _____
2. Less: 10% of LT debt as of June 30, XXXX.....
(from Balance Sheet Long-Term Liabilities) _____
3. Credit for parish elementary school support:
Students on [3rd Friday September] x \$[avg cost per pupil].... _____
4. Total deductions from gross receipts (line 4 plus line 5)..... _____
5. Net assessable income (line 1 minus line 6)..... _____
6. Archdiocesan assessment amount (multiply amount on line 5 by 4%.) _____

This is the preliminary calculation of your Archdiocesan Assessment payable during the {current} fiscal year. It may be adjusted after review by amount due. Payments are due in quarterly installments on approximately September 1, December 1, March 1, and June 1.....

7.0 PERIODIC FINANCIAL REVIEW PROCEDURES

7.1 Introduction. As organizations become larger and more diverse in their activities, they become increasingly more difficult to control effectively. This is very apparent in the Archdiocese of Milwaukee as parishes have become more active in social issues as well as in diverse liturgical and ecumenical efforts since Vatican II. The financial aspects of many of these activities are significant and good stewardship demands that the financial dimension be adequately controlled as well as the non-financial factors.

7.1.1 Faced with these difficulties, administrators must rely on adherence to a set of pre-established policies and periodic written reports of performance if accounting, financial and operational control are to be achieved. Internal control is concerned with events that take place within the parish, and is the primary subject of Chapter 5 of this Manual.

7.1.2 Administrators and parish volunteers, like other human beings, are subject to human errors. They may make honest mistakes; they may unknowingly be inclined toward loose interpretations of what are theirs or others' mistakes; or they may be inclined to misuse or misappropriate parish property. Many persons are unfamiliar with the requirements of both civil and canon law and their differences. Administrators must establish and enforce practices that will minimize the errors in use and the misuse of parish property. As a practical matter, minimization of errors and deliberate misappropriations are all that can be hoped for. Total elimination of irregular conduct is excessively expensive and operationally impractical.

7.2 Policy. The Parish Financial Management Manual provides some of the needed guidance. The specific purpose of periodic financial review as described in this Chapter is to provide a mechanism to help parishes in their internal financial management. To formalize that process, and in order to achieve the goal of consistent financial accountability, each parish in the Archdiocese of Milwaukee shall be subject to a Formal Archdiocesan Financial Review on a periodic basis. The expected review interval is approximately every two years.

7.3 Periodic Financial Review. As part of the internal controls, it is necessary to periodically review the financial practices of the parish. Here, that is generally referred to as periodic financial review. This review is facilitated by the Parish Uniform Chart of Accounts specified in Chapters 2 and 3. Consistent accounting practices facilitate review of the financial practices.

7.3.1 A key to effective periodic financial review is good record keeping and good financial reporting. Various financial reports are provided in Chapter 6 of this Manual. They include summary reports of monthly or quarterly financial activity, periodic financial reports to parishioners, and year end financial reports to the Archdiocese. These reports provide opportunities for a general review of the financial

health of the parish.

7.3.2 It is important that administrators use those periodic financial reports to conscientiously evaluate the financial management of the parish, and not treat them as routine, unimportant paperwork. It is essential that there be some mechanism to insure that the financial reports actually reflect the financial transactions and financial condition of the parish.

7.4 Parish Audits. An audit represents an examination of records and accounts to verify their accuracy. In an audit, independent auditors examine the financial records and accounts and certify that the statements of financial condition and other summary financial statements present fairly the financial condition of the organization, and they are in conformity with generally accepted accounting principles. A number of parishes have contracted with independent auditors to conduct this verification role. Parishes use these independent auditors for a variety of functions ranging from an overview of the financial condition to a full scale audit of all aspects of parish financial operations.

7.5 Internal Financial Review. As an alternative to an external, independent auditor conducting a financial review, parishes may appoint an internal financial review committee.

7.5.1 The purpose of this committee is to review the records and accounts of the parish to verify that generally accepted accounting procedures are being followed in addition to the specific guidelines from the Archdiocese. Thus, it is helpful if the committee members have some knowledge of accounting practices and a familiarity with the Parish Uniform Chart of Accounts.

7.5.2 The committee should consist of at least two independent members. The persons conducting the review should not be involved in any of the day-to-day financial transactions which are being reviewed. In addition, different persons should be called on to conduct the review from time to time

7.5.3 Where possible, such a review should be conducted on a routine basis, but it may be useful to conduct a "surprise" review from time to time. The procedures to be followed will depend on the size of the financial operation and the degree of detail which the parish wishes to pursue. It would be particularly appropriate to conduct surprise reviews of the petty cash funds (Section 5.10) from time to time.

7.5.4 Appendix 7-A contains an Internal Control Questionnaire that will be the basis for a Formal Archdiocesan Financial Review. It can also be used in its entirety for an internal review, or selected portions of it could be used for a limited internal review. The internal review procedures should include provisions for formally appointing the review committee and specifying the scope of the committee's responsibility.

7.5.5 A report of the findings of the internal review should be submitted to the pastor/priest administrator and the Parish Council.

7.6 Annual Archdiocesan Financial Review. The annual Archdiocesan financial review is an external review of the parish financial reports by the Archdiocesan Office of Parish and School Financial Services. It generally is a lesser detailed review than that which would be obtained by an internal review. In accounting terminology, this could be referred to as a "desk review."

7.6.1 The annual Archdiocesan financial review is based primarily on the annual financial report submitted by the parish. These reports and submission requirements are discussed in detail in Chapter 6.

7.6.2 Both the total parish financial report and the school financial report will be reviewed by the Archdiocesan Office of Parish and School Financial Services. The current Fiscal Year reports will be evaluated for fiscal soundness and will be compared with previous Fiscal Year reports to evaluate the general financial condition of the parish.

7.6.3 This review may reveal concerns about certain aspects of a parish's financial operation that would require some follow-up, including the possibility for a formal Archdiocesan financial review that would otherwise normally take place on a periodic basis.

7.7 Formal Archdiocesan Financial Review. A required formal review of parish financial operations by a CPA firm or Archdiocesan staff on a periodic basis is a more recent element in parish fiscal management. The primary purpose of this financial review is to assist the parishes in managing their financial resources effectively. The review will consist of a pre-visit questionnaire stage, an on-site visit stage, and a report stage.

7.7.1 The mandatory periodic financial reviews will be conducted approximately every two years in each parish. The exact timing of the reviews is a function of available manpower to conduct the reviews as well as any operational need for them. Consequently, the reviews will occur throughout the year and not necessarily at the end of a fiscal year. In addition to the mandatory reviews, a formal Archdiocesan review may be initiated when some financial disclosure revealed in the annual Archdiocesan review would suggest that a formal review is appropriate. In addition, a formal review may be requested by a parish when their internal review suggests one is appropriate, or at any other time when requested, perhaps when there is a change in pastor/priest administrator.

7.7.2 The pre-visit stage of the review involves information gathering in order to minimize the time spent at the parish. The parish will be requested to provide certain information about current parish finances and financial management practices that is not otherwise available to the Archdiocesan reviewer. This will normally include the most recent detailed parish annual financial reports, the most recent parish budgets, and a completed Internal Control Questionnaire.

7.7.3 While the financial report and the budget provide some insight into the financial condition of the parish, the Internal Control Questionnaire provides the insight into the current parish financial management practices. The questionnaire addresses financial

practice guidelines that are discussed primarily in Chapters 2 and 5 of this Manual. The complete Internal Control Questionnaire is included in Appendix 7-A. Each item in the questionnaire is cross-referenced to the appropriate paragraph in this manual. The key elements of the questionnaire are summarized below.

7.7.3.1 The questionnaire addresses some general areas including the names of persons with financial responsibilities in the parish, whether or not the parish uses/owns a computer, whether any systematic budgeting practice is followed, what financial reports are prepared and who uses them, and whether this Parish Financial Management Manual is maintained with up to date corrections.

7.7.3.2 The questionnaire contains quite a few questions with regard to cash receipts, including questions about collections and how they are safeguarded and counted, and by whom. When are deposits made? How soon are collections for others properly forwarded to them?

7.7.3.3 There are many questions about disbursements. How many checking and savings accounts are there and who are the signators? Are invoices checked and is the documentation for each invoice examined by each signer? Are the entries in the ledger made in a timely manner? Is the petty cash fund properly managed?

7.7.3.4 The questionnaire address payroll issues including accounting for time, tax reports, pension plan, health insurance, and salary review/approval. Another set of questions addresses investments including the account balances or current value.

7.7.3.5 Another section of the questionnaire addresses affiliated organizations and activities. A key guideline in this area is that every organization that is associated with the parish is accountable to the parish. Questions address the frequency of financial reports, how those activities are being managed, how much fund raising is conducted by them, and how many accounts (with balances) exist for those organizations. Several questions address affiliated activities such as bingo and other fund raising and income generating activities.

7.7.4 The on-site visit will be conducted at a time that is mutually agreeable between the pastor/priest administrator and the reviewer. The visit will be conducted only after the reviewer has studied the parish financial reports and budgets and the internal control questionnaire. The on-site visit will include interviews with persons responsible for parish financial management as well as review of the cash accounts; verification of checkbook balances; a sampling and verification of accounting entries; a review of disbursement documentation and supporting material; and clarification of any questions on the internal control questionnaire. The on-site visit should take less than one day in each parish, although some circumstances may require that more time be spent at some parishes.

7.7.5 The report stage will include an oral report to the pastor/priest administrator and to the parish personnel responsible for financial management on the day of the on-site

visit to present the major findings and any preliminary recommendations. The meeting will also provide an opportunity for those involved to offer input on how they can or cannot carry out these recommendations. Following the visit, a written report evaluating the parish's financial condition, including any recommendations for improvement in financial management practices, will be prepared and sent to the parish.

7.7.6 The procedures to be followed in preparing for and conducting a formal Archdiocesan financial review are specified in Appendix 7-B.

7.8 Formal Financial Review by an Independent CPA. Some parishes have and will continue to have an external audit conducted by an independent CPA in accordance with American Institute of Certified Public Accountants (AICPA) standards. Such an audit may replace the formal financial review provided that such an audit also covers all of the requirements of a Parish Review.

7.9 Response to Parish Review. Parishes must provide a written response to the parish review to the Office of Parish and School Financial Services, regardless of who the reviewer was.

Appendix 7-A. Parish Internal Controls Questionnaire

ARCHDIOCESE OF MILWAUKEE

PARISH INTERNAL CONTROL QUESTIONNAIRE

Parish:	Parish Code:
Address:	
Pastor/Parish Director:	
Person(s) who maintains accounting records:	
Contact telephone number:	
On-site visit date:	

Purpose:

This questionnaire is designed to help the Archdiocesan Office for Parish Finances and the reviewer assigned to conduct the financial review in your parish to evaluate the accounting controls and financial management procedures in use in your parish. The answers to these questions will help the reviewers in assisting you in improving the quality of the financial information you use as well as improve the security of your assets.

Instructions:

Please answer each of the questions below, identify the persons completing the questionnaire, and submit the completed questionnaire, signed by the Pastor, to the Archdiocese of Milwaukee.

In order to expedite the review process, please have ready the financial records for the previous fiscal year and year to date for the current fiscal year, including cancelled checks, check registers/stubs, bank statements and reconciliations, general ledgers, payroll records, monthly financial statements, counting team report sheets, deposit slips, and access to original paid invoices for the parish and all parish committees and organizations.

Mail this completed questionnaire to:

Archdiocese of Milwaukee
Office of Parish/School Financial Services
3501 South Lake Drive
P. O. Box 070912
Milwaukee, Wisconsin 53207-0912

Keep one copy of the completed questionnaire for parish records. Call the Office of Parish and School Financial Services at 414 769-3336 if there are any questions.

GENERAL INFORMATION

Parish Name: _____

Street Address: _____

City: _____

Parish Code: _____

Please identify the person(s) who perform each of the following functions:

Deposits collections _____

Receives other cash and checks (school tuition, religious education fees, other cash or checks)

Deposits other cash and checks _____

Posts income to the cash receipts journal _____

Receives invoices _____

Approves invoices _____

Enters accounts payable _____

Creates checks _____

Mails checks _____

Prepares monthly financial statements _____

Prepares payroll _____

Please identify the accounting system used for each of the following functions:

General Ledger Journals:	Software Name or Manual Process	Version
Cash receipts		
Cash disbursements		
Payroll		
General		
Parishioner contribution records		

Is the Parish Financial Management Manual on hand and up to date (5.1.3)	Y	N	N/A
Are investments, accounting records, and unused checks stored in a safe or locked fireproof cabinet? (5.2.1)	Y	N	N/A
Is an annual parish budget prepared? (4.2)	Y	N	N/A
Date submitted to archdiocese _____			
Are monthly financial statements prepared? (2.8)	Y	N	N/A
Are they reviewed by the Finance Committee? (7.3.2)	Y	N	N/A
Has the annual Confidential Financial Statement been submitted to the archdiocese (6.7.1.1)	Y	N	N/A
Date submitted _____			
Has the parish implemented the 2012 Finance Council Norms?	Y	N	N/A
Is access to the general ledger and supporting subsidiary ledgers restricted to authorized personnel?	Y	N	N/A
Are subsidiary ledgers reconciled to the general ledger on a monthly basis?	Y	N	N/A

COLLECTIONS

1. Are Sunday envelope and offertory collections maintained in a secure area? (5.6.1) Y N N/A
Where are they kept during mass? _____
Where are they kept after mass? _____
Where are they counted? _____
When are they counted? _____

2. Is the envelope and offertory collection in view of two people at all times? (5.6.1) Y N N/A
3. Are envelope and offertory collections counted by two or more people? (5.6.2) Y N N/A
4. Is the collection placed in tamper-evident bags prior to being counted (whether placed in a safe or taken directly to the bank)? (5.6.1) Y N N/A
5. Are counters rotated? (5.6.9) Y N N/A
How many counting teams are there now? _____

>>Please attach a list of counters with home addresses<<

6. Are count sheets prepared during counting and signed by counters? (5.6.2) Y N N/A
7. When are weekly collections deposited (day of week)? _____

8.	Are the collections deposited intact (i.e., uncounted and unsorted?)	Y	N	N/A
9.	Is a Night Depository used?	Y	N	N/A
10.	While receipts remain at the parish, are they kept in a locked, fireproof safe? (5.6.6)	Y	N	N/A
11.	Are count sheets subsequently reconciled to the deposit? (5.6.8)	Y	N	N/A
12.	Are collections posted to individual parishioners' contribution records? (5.6.8) By whom? _____	Y	N	N/A
13.	Are deposits subsequently reconciled to the amounts posted to parishioner records? (5.6.3)	Y	N	N/A
14.	Are Diocesan Collections, Collections for Others, and Catholic Stewardship Appeal receipts forwarded or remitted by the specified due date following the collections? (5.6.11)	Y	N	N/A
15.	How often are periodic contribution statements sent to all parishioners? (5.6.10) _____			
16.	Are cash contributions itemized by date and amount on the contribution statements sent to all parishioners?	Y	N	N/A

TUITION RECEIPTS

17.	Are prenumbered receipts issued for all tuition payments?	Y	N	N/A
18.	Is a tuition payment plan available to school families?	Y	N	N/A
19.	Is a separate record maintained for each student or family that indicates the total charged, date and amount of each payment, and amount due?	Y	N	N/A
20.	Do written procedures exist for follow up on past due tuition?	Y	N	N/A

ALL RECEIPTS

21.	Are all checks, money orders, etc., restrictively endorsed "For Deposit Only" to the proper parish checking account when counted or as soon thereafter as possible? (5.6.4)	Y	N	N/A
22.	Are all undeposited amounts stored in a locked safe while on the parish premises, and taken to the bank at least once per week?	Y	N	N/A

DISBURSEMENTS

23.	Is a signature stamp utilized for signing checks? (5.9.8)	Y	N	N/A
24.	Who signs checks when the pastor/administrator is away? _____			
25.	Do two signatures appear on every check that is issued? (5.9.7)	Y	N	N/A

>>Please use the last page of this questionnaire to list the authorized signers on all parish bank accounts for all accounts using the parish name or federal identification number,

including the separate checkbooks of all affiliated organizations and cemetery operations. <<

26. Are all disbursements (other than petty cash) made by prenumbered checks? (5.9.6) Y N N/A
27. Is a proxy approval obtained for all expenditures within the guidelines established by the Archdiocese? (5.9.11) Y N N/A
28. Do invoices show evidence of having been reviewed and approved for (5.9.4):
 Receipt of goods and services? Y N N/A
 Mathematical accuracy? Y N N/A
 Accounting classification? Y N N/A
 By whom? _____
29. Is supporting documentation attached to each check to be reviewed by the check signers prior to signing? (5.9.7) Y N N/A
30. After a check has been prepared for the payment of an invoice, is the check number, account code, and date paid indicated on the part retained? (5.9.10) Y N N/A
31. Are all disbursements recorded in the parish accounting system? (5.9.9) Y N N/A
32. Are all invoices or receipts "canceled" (marked "Paid" or check stub attached) after payment? (5.9.10) Y N N/A
33. Are checks printed from the accounting software? -or- Y N N/A
 If checks are manually prepared, is a check protector utilized? Y N N/A
34. Are checks returned to the bookkeeper for mailing? (5.9.7) Y N N/A
35. Is there documentation to support the review and approval of funds transferred electronically? Y N N/A

36. Is a petty cash fund maintained? (5.10.1) Y N N/A

	Purpose of Fund	Amount of Fund	Custodian
A			
B			
C			
D			

37. Are all petty cash payments documented and reviewed when the fund is replenished? (5.10.3) Y N N/A
38. How often is the petty cash fund replenished? (5.10.4) _____

ACCOUNT RECONCILIATIONS

39. Are bank reconciliations for all cash accounts prepared within two weeks of receipt of the bank statement and reviewed for accuracy? (5.5.3) Y N N/A
 Reconciled by _____

Reviewed by _____

- | | | | | |
|-----|---|---|---|-----|
| 40. | Are paper copies of the reconciliation report retained for future reference? (5.5.3) | Y | N | N/A |
| 41. | Are Accounts Receivable balances reviewed periodically for uncollectible amounts to be written off? | Y | N | N/A |
| 42. | Do Accounts Payable balances include all past due amounts owed to the Archdiocese? | Y | N | N/A |
| 43. | Are all unpaid invoices for the fiscal year included in Accounts Payable at June 30 th ? | Y | N | N/A |
| 44. | Is the Accounts Payable balance reconciled to insure that all amounts posted as payables are cleared when checks are written? | Y | N | N/A |

PAYROLL

- | | | | | |
|-----|---|---|---|-----|
| 45. | Is the payroll prepared using:
An outside payroll service?
Name of service: _____
Software at parish?
Date of last payroll software update? _____
Manually at parish?
Date of Circular E: _____ | Y | N | N/A |
| 46. | Are appropriate time sheets prepared by all employees? (5.11.4) | Y | N | N/A |
| 47. | Are W-4s for all employees in the employee files? | Y | N | N/A |
| 48. | Is the payroll reviewed by someone independent of its preparation prior to checks being issued? (5.11.5) | Y | N | N/A |
| 49. | Are Forms 1099 prepared at calendar year end for all non-employees who receive more than \$600? | Y | N | N/A |
| 50. | Are W-2s prepared at calendar year end for all employees (including all Archdiocesan Priests) who are currently working in the parish and all those who have worked there during the year? | Y | N | N/A |
| 51. | Have Forms 941 Quarterly Federal Tax Reports been filed, and have all payroll taxes been remitted according to schedule? (5.11.6) | Y | N | N/A |
| 52. | Are all eligible employees (full time, working over 30 hours per week for eight consecutive months in the year, and employed for more than one year) included on the parish Pension Reporting Form? (5.11.7) | Y | N | N/A |
| 53. | Are all full time employees offered participation in one of the options offered by the Archdiocesan health insurance programs? (5.11.7)

If not, does the parish offer coverage through any other plan?
Name of insurance carrier: _____ | Y | N | N/A |
| 54. | What percentage of the health insurance premium does the parish pay?
Single coverage _____
Family coverage _____ | | | |

- | | | | | |
|-----|---|---|---|-----|
| 55. | Are all eligible employees covered by the Church Unemployment Pay Program? (5.11.7) | Y | N | N/A |
| | If not, do you provide some other form of severance pay benefit? | Y | N | N/A |
| 56. | Are all salary levels approved by the Parish Council or Finance Committee? (5.11.3) | Y | N | N/A |
| 57. | Are any parish employees paid in cash? (5.11.6) | Y | N | N/A |

SAVINGS & INVESTMENTS

- | | | | | |
|-----|---|---|---|-----|
| 58. | Are Savings Passbooks and Money Market Accounts updated at least quarterly and in agreement with the quarterly report? (5.12.2) | Y | N | N/A |
|-----|---|---|---|-----|

>>Please use the last page of this questionnaire to list the investment account balances as of the last statement received for all accounts that use the parish name or federal identification number, including the separate investments of all affiliated organizations and cemetery operations.<<

OTHER ASSETS

59. List all other assets owned by the parish corporation, e.g., motor vehicles, real estate, oil wells, limited partnerships, rental properties.

Asset	Cost Basis	Current Market Value
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$

FUNDRAISING

60. Does the parish conduct Bingo? Y N N/A
 How often? _____
 Have you submitted your reports to the State in a timely manner? Y N N/A
 Name of person responsible for filing State reports: _____
 What is the frequency of transfer of Bingo proceeds to the parish general fund? _____
61. Does the parish hold an annual festival? Y N N/A
62. Are there documented procedures for cash handling at large fund raising events (e.g., festivals)? Y N N/A
63. Does the parish have a lottery license? Y N N/A
 What type of license does the parish hold (A, B, calendar)? _____
 What is the expiration date on the current license? _____
 When was the last renewal application submitted? _____
64. Is the SCRIP program reviewed periodically to make sure that it complies with the published guidelines? Y N N/A
65. If the parish conducts an auction as a part of its fundraising:
 Are acknowledgement letters provided to donors of goods and services? Y N N/A
 Is the fair market value of goods and services available to the winning bidders? Y N N/A
66. Does the parish obtain all of the necessary permits from local municipalities for festivals and other events on the parish premises? Y N N/A

AFFILIATED ACTIVITIES

67. Are there any affiliated parish organizations? (Holy Name, Sodality, Boosters, Home and School, Athletic Association, etc.) (5.3.1) Y N N/A

If no affiliated organizations, please continue with question number 79

68.	Do any of these organizations maintain their own checking or savings accounts? (5.3.6) <i>Please include the banking information for all affiliated organizations on the last page of this questionnaire.</i>	Y	N	N/A
69.	If they maintain their own accounts, are the bank and investment statements sent directly to the parish office?	Y	N	N/A
70.	Do they conduct any fund raising activities? (5.3.3)			
	Bingo	Y	N	N/A
	Food Sales (e.g. Market Day)	Y	N	N/A
	SCRIP	Y	N	N/A
	Dances (regularly scheduled)	Y	N	N/A
	Other (please describe):	Y	N	N/A
<hr/>				
71.	Is the parish Federal tax exemption status used? (This is the status given by the I.R.S. to the parishes listed in the Kenedy Official Catholic Directory.) (5.3.2.)	Y	N	N/A
72.	Do they submit quarterly financial reports to the parish? (5.3.4.)	Y	N	N/A
73.	Is the pastor/parish director a signator on all parish organization checks? (5.4.6)	Y	N	N/A
74.	Are there bank accounts of affiliated parish organizations that appear in the parish annual financial report? (5.3.7)	Y	N	N/A
75.	Do the by-laws of the affiliated organization establish a maximum amount of cash that may be kept as an operating fund? (5.3.6)	Y	N	N/A
76.	Are any parish, school, convent, or religious education center expenditures paid by an affiliated organization directly? (5.3.7)	Y	N	N/A
77.	Are all parish organization bank statements mailed directly to the parish office by the financial institution? (5.5.3)	Y	N	N/A
78.	Are the financial books of the parish organizations kept in the parish office? (Corporate By-laws, Article IX Section 6)	Y	N	N/A

RENTAL INCOME

- | | | | |
|---|---|---|-----|
| 79. Do you receive income from any of the following sources: | | | |
| Rental of Parish Hall? | Y | N | N/A |
| Rental of buildings (apartments, houses, stores, offices, filling stations, etc.)? | Y | N | N/A |
| Use of parking lot on weekdays or nights? | Y | N | N/A |
| From a business activity that could also be carried on by a commercial establishment? | Y | N | N/A |
| Advertising in the parish bulletin? | Y | N | N/A |
| | | | |
| 80. Does the amount of rent depend on the tenants' income (commercial rents only)? | Y | N | N/A |
| If yes, what is the formula? _____ | | | |

CEMETERIES

- | | | | |
|--|---|---|-----|
| 81. Are cemetery records (perpetual care, lots, etc.) maintained in the rectory? <i>(5.14.1)</i> | Y | N | N/A |
| 82. Are cemetery records (perpetual care, lots, etc.) maintained at the cemetery office? <i>(5.14.1)</i> | Y | N | N/A |
| 83. Are cemetery records stored in a safe or a locked fireproof cabinet? <i>(5.14.2)</i> | Y | N | N/A |
| 84. Are there any duplicate records stored at another location? <i>(5.14.2)</i>
If yes, where? _____ | Y | N | N/A |
| | | | |
| 85. Have you had any disinternments since the last review report? | Y | N | N/A |

RESTRICTED CONTRIBUTIONS

- | | | | |
|---|---|---|-----|
| 86. Do you have copies of wills or bequests to identify amounts reported as endowments (principal) funds and amounts available to be used for the intent of the gift? <i>(5.15.1)</i> | Y | N | N/A |
| 87. Are you holding any bequests, gifts or contributions for more than 5 years for a purpose that you have been unable to fulfill? <i>(5.15.2)</i> | Y | N | N/A |

Pastor/Parish Director	Date
Individual preparing questionnaire if not pastor/parish director	Date

Question 25. List the authorized signatures on all bank accounts. Include the accounts of all affiliated organizations.

<u>Organization</u>	<u>Bank Name</u>	<u>Account Number</u>	<u>Signators</u>

Question 59. List all investment accounts, including investments of affiliated organizations?

Investment Company	Type of Investment	Date of Last Statement	Current Market Value

Appendix 7-B. Administrative Procedure--Formal Parish Financial Review

ARCHDIOCESE OF MILWAUKEE

PARISH REVIEW PROCEDURES

I. General

1. Meet with the pastor, business manager or director of administrative services, bookkeeper or parish secretary, and other key parish staff or volunteers as necessary to gain an understanding of parish procedures.
2. Note the accounting software, records created for cash receipts and disbursements, records maintained for payroll processing, receipts for tuition and other fees, acknowledgements created for contributions received, etc. Include who is responsible for each function. Note any outside service providers for payroll, ACH processing, and financial report preparation.
3. Review the Internal Control Questionnaire with the parish representative(s). Discuss any answers inconsistent with effective internal controls. Note for the written report any action items that need to be addressed.

II. Bank Accounts

1. Obtain a list of all bank accounts, including accounts maintained by affiliated organizations.
2. Review bank statements and reconciliations for two randomly selected months during the year.
 - a. For reconciliations prepared manually, test math accuracy.
 - b. Review all reconciling items (outstanding checks, deposits in transit and adjusting entries) for age and propriety.
 - c. Compare reconciled bank balance to book balance.
 - d. Review transfers between accounts for proper recording.
 - e. Determine if the number of bank accounts is appropriate for size of parish and types of activity.

III. Investment Accounts

1. Obtain a list of all investment accounts, including accounts maintained by affiliated organizations.
2. Examine all parish investment accounts, including cemeteries and trusts. Obtain supporting documentation for endowments and other restricted accounts and verify correct balance sheet classification.
3. Review recording of changes in investment account balances for correct classification.

4. Compare investment account balances to book balances and note discrepancies.

IV. Cash Receipts

1. Scan cash receipts journal or check registers for 12 month period for activity and unusual items. Note any unusual transactions, including a description of supporting documentation.
2. For two months during the year, test the accuracy of the ledgers by:
 - a. Observing that the parish is using serialized tamper evident bags and that logs of who has handled the bags are maintained.
 - b. Tracing the details of the count sheets prepared by the money counters to the deposit slip, bank statement and general ledger.
 - c. Tracing batch totals from posting to parishioner accounts to count sheets on a sample basis.

V. Cash Disbursements

1. Scan cash disbursements journal or check registers for 12 month period for activity and unusual items. Note any unusual transactions, including a description of supporting documentation.
2. Test accuracy of ledgers by selecting 10 disbursements (covering a variety of amounts) and perform the following tasks.
 - a. Vouch disbursement to supporting invoice.
 - b. Verify that the transaction has been reviewed and approved before payment.
 - c. Verify that invoices are cancelled or marked "Paid" or have a check stub attached.
 - d. Observe if transactions appear to be for a legitimate business purpose and note discrepancies.
 - e. Compare date, amount and payee as listed on ledger to cancelled check. Review endorsement on cancelled check.
 - f. Trace to general ledger for proper classification and amount.
 - g. Verify that no signature stamps are used at the Parish. Verify that checks are not pre-signed. Verify two authorized signatures on each check. Verify that blank check stock is securely stored.
 - h. Review a subjective sample of checks and supporting documentation payable to employees and trustees for non-payroll items.
 - i. If sample does not include at least one statement from credit card or store card, select one and verify that original receipts that equal the amount of the paid invoice are attached.
3. Review ledger for payments made by electronic funds transfers. Verify that documentation, including review and authorization by two check signers, exists for EFT transactions.
4. Count petty cash and compare to amounts recorded in general ledger.

VI. Payroll

1. Obtain the list of employees, salaries and/or hourly rates and test the accuracy of the records for one pay period by comparison to this list.
2. For hourly employees:
 - a. Trace hours recorded on time sheets to payroll for one payroll.
 - b. Verify overtime calculations where appropriate.
3. For parishes preparing payroll manually, verify withholding amounts for federal and state taxes.
4. Review payroll registers for 12 month period for unusual changes in numbers of paid employees or dollar amounts.
5. Compare information on a sample of Forms W-4 to payroll records.
6. Compare the list of full time employees to the employees reported for lay pension on the most recent quarterly report. Inquire as the reason for any discrepancies and note differences that require adjustment.
7. Reconcile the payroll taxes for one quarter by:
 - a. Verifying that tax deposits are made as required
 - b. Verifying Form 941 is filed as required
 - c. Reconciling the Form 941 for to the payroll register
8. Verify that amounts withheld for Tax Sheltered Annuities are recorded correctly and remitted to investment companies in a timely manner.
9. Inquire about payments to individuals for services provided to the parish that are not recorded as payroll. Determine if Forms 1099 are issued as necessary.
10. Verify that employee portion of health insurance premiums does not exceed 15% for single or 30% for family coverage. Document any discrepancies.

VII. Clergy Compensation

1. Review the Clergy Compensation Worksheet
 - a. Verify that gross compensation equals compensation allowed per the Clergy Handbook.
 - b. Verify calculations to arrive at net pay amounts.
 - c. Verify that amounts deducted as housing and food allowances are paid on non-payroll checks to the priest.
 - d. Review disbursements paid directly to others for rent, utilities, or other items which should be included in housing allowance. Schedule all payments in excess of amount deducted on compensation worksheet.
2. Review the Professional Expense Worksheets for the most recent 12 months
 - a. Verify that reimbursement is only paid in the amount of receipts presented.
 - b. Verify that a mileage log exists to support mileage requested for reimbursement.

- c. Verify calculations for carried forward reimbursement amounts in the same fiscal year.
3. Review payment and accounting classification for the Retirement Savings Supplement
 - a. Verify that correct amount per Clergy Handbook is paid directly to the priest.
 - b. Verify that the amount paid is classified as wages.
 - c. Verify that the amount paid is included in Form W-2 as wages.

VIII. Accounts Receivable

1. Obtain a schedule of amounts included in Accounts or Tuition Receivable balances.
2. Determine when Accounts Receivable balances were last reconciled and reviewed for collectability.

IX. Accounts Payable

1. Obtain a schedule of amounts included in Accounts Payable, Accrued Wages, Accrued Payroll Taxes, Exchange accounts.
2. Determine if any Accounts Payable, including amounts due the Archdiocese, need to be recorded.
3. Determine when outstanding Accounts Payable balances were last reviewed.

X. Adjusting Journal Entries

Obtain listing of adjusting journal entries for the previous 12 months and review for unusual entries, and for entries to correct previous periods that are not reflected in income or expense accounts.

XI. Net Asset Classifications

Review classification of legally restricted, parish designated and unrestricted net asset balances.

Review classification of temporarily and permanently restricted net asset balances.

Review opening net asset balance, activity and ending net asset balance for Faith In Our Future restricted investments.